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QIUSHI [SEEKING TRUTH]

No. 3, 1 February 1989

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QIUSHI

No 3, 1 February 1989

**Rebirth of the Tibetan Nationality—
Commemorating the 30th Anniversary of
Democratic Reform Carried Out in Tibet**
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[Article by Raidi, deputy secretary of the Tibet Autonomous Regional CPC Committee and chairman of the regional CPPCC Committee]

[Text] This year is the 30th anniversary of Tibet's democratic reform, the liberation of the Tibetan people, and their taking the socialist road of progress and development. Earth-shaking changes have taken place in Tibet over the past 30 years. Looking back on the course of the revolution and construction in Tibet, we have profoundly realized that the Tibetan nationality can have a bright future only in the big family of the socialist motherland and under the leadership of the CPC.

The Carrying Out of Democratic Reform and the Abolition of the Feudal Serf System—a Historical Choice Made by the Tibetan People

The social system in Tibet before the democratic reform was the feudal serf system under which government and region were integrated and the clergy and aristocrats exercised dictatorship. In the long course of historical development, the feudal serf system had become increasingly corrupt and backward, and social contradictions had intensified with each passing day. This seriously hindered social progress and the development of the productive forces.

In the feudal society of serfdom, the serf owners accounted for about 5 percent of the Tibetan population. At that time, three kinds of feudal lords—officials (of the local feudal government), the aristocracy, and the upper-stratum clergy—owned all the land and grassland as well as most of the livestock. However the serfs, who accounted for more than 90 percent of the Tibetan population, had no ownership of land, nor complete freedom of person; they belonged to the three kinds of feudal lords generation after generation. Attaching themselves to the manors of the feudal lords, they were compelled to do strenuous labor and to shoulder heavy burdens in providing service and paying land tax and other levies. Exploited economically, they struggled for existence in hunger and poverty and on the brink of death.

The broad masses of serfs and slaves had no political power at all, and they were regarded only as animals with the faculty of speech. They could be sold at will or given by one owner to another as a gift. Even their marriages and births were subject to interference by their owners. The "statute book" in old Tibet classified people into "three grades and nine ranks" according to their blood

lineage and positions and stipulated sacred and inviolable privileges for the three kinds of feudal lords. The "statute book" strictly restricted the conduct of the serfs and slaves, and violators were cruelly tortured. As instruments of dictatorship by the three kinds of feudal lords, the courts, prisons, and army guarded the sanctity of the feudal serf system by relentlessly suppressing the people. Under that system, the broad masses of Tibetan people enjoyed no human rights, no democracy, and no freedom at all.

Socially and culturally, the system of integration of government with religion determined the absolute dominant position of religion in ideology. To make their privileges sacred and enslave people spiritually, the feudal lords sued religion to teach people to be patient, compromise, and resign themselves to adversity. Any new idea, culture, and knowledge of science and technology that went against the will of the ruling class was regarded as heretical beliefs, thus fettering people's thinking and hindering the spread of education and the development of science and culture.

In modern times, imperialist forces invaded Tibet step by step by using such means as political infiltration, economic plundering, military aggression, and training and supporting trusted followers. As a result, the feudal society of serfdom gradually became a semicolony. Imperialists sowed discord in the relations between Tibet and the motherland. After the 1911 revolution, pro-imperialists and imperialist forces colluded with each other in stepping up their activities to divide the motherland. Thus the Tibetan people fell under the yoke of imperialist aggression.

A backward and decayed social system and invasions of the imperialists brought dual sufferings to the Tibetan people and further sharpened Tibet's social contradictions. The vast numbers of serfs were completely uninterested in production work. They struggled with the serf owner class by going slow, by refusing to pay rents and accept imposed work, by presenting petitions, by suing before the law, by running away, and by resorting to other forms of resistance. As a result, the Tibetan society remained in stagnation and in a state of slow development for a long time. Changing the superstructure and production relations of the old Tibetan society had been a desperate wish of the Tibetan people and also was an objective requirement for and inevitable consequence of the development of the Tibetan society.

In the early years of the PRC, our party, considering the special historical and social conditions in Tibet, adopted a practical policy on solving Tibetan problems in two steps. The first step was to drive the imperialist force out of Tibet and strengthen the anti-imperialist patriotic united front to pave the way for carrying out democratic reforms in Tibet. The second step was to carry out democratic reforms, abolish the feudal serf system there, and gradually turn Tibet into a socialist society. Based on this policy, on 23 May 1951 the Central People's

Government and the Tibetan Regional Government signed the "Agreement on the Ways To Peacefully Liberate Tibet" (called the "Agreement of 17 Articles" for short). Thus, Tibet was peacefully liberated. After that, the People's Liberation Army [PLA] marched into Tibet and strengthened the border defense there in accordance with the articles stipulated in the agreement. The party thus began its work in Tibet. The PLA and cadres of various nationalities conscientiously carried out various policies of the party, and took practical measures to unite people of the local upper strata and to influence the masses. After 8 years of hard work, they came to unite a vast number of the grass-roots masses and patriotic people of the upper strata, cultivate numerous cadres of local nationalities, strengthen the anti-imperialist united front, isolate a handful of splittist elements, and create conditions for carrying out reforms.

To ensure peaceful reform, leaders of the central authorities made repeated explanations and waited patiently. They did everything called for by humanity and duty. Nevertheless, in March 1959, the reactionary clique of the upper strata of Tibet brazenly tore up the "Agreement of 17 Articles," and outrageously waged an extensive armed rebellion, running counter to the historical tide and going against the will of the vast numbers of the Tibetan people. To safeguard the motherland's unification and the interests of the vast numbers of the Tibetan people, the central authorities were forced to take decisive action to put down the rebellion, and, in compliance with the strong desire of the vast numbers of the Tibetan people and with the agreement of people of the upper strata of Tibet, decided to carry out democratic reforms in Tibet. Based on this decision, the central authorities timely adopted the policy of "fully mobilizing the masses, carrying out reforms while putting down rebellions, carrying out reforms first in areas where rebellions arose first and then in areas where rebellions arose later, and deferring carrying out reforms in areas without rebellions." This policy won the warm support of the people of the religious circles and the people of all sectors of the Tibetan society.

The major tasks of the democratic reforms are to overthrow the rule of the feudal serf owner class in Tibet, to change the system of ownership of feudal serf owners to the system of individual ownership of peasants and herdsmen, and to turn a Tibet of feudal serf system to a Tibet of people's democracy. In carrying out democratic reforms, our party had insisted on depending on the exploited and oppressed grass-roots masses to unite patriotic people of all sectors. And, regarding how to carry out reforms, our party decided to do it in two steps. The first step focused on fully mobilizing the masses, and the second on distributing land. In drawing up specific policies, different situations in rural areas, pastoral areas, cities and towns, and the religious circles were taken into consideration. In rural areas, the policy of "whoever grows reaps the harvest" and the policy of "three oppositions and two reductions" (opposition to rebellion, corvée labor, and enslavement, and reduction

in rent and interest) were implemented on lands of rebellious feudal lords and their agents. Later, production means confiscated and redeemed from rebellious feudal lords and their agents were given to serfs and slaves. In pastoral areas, we first considered protecting livestock. Therefore, the policy of "whoever herds owns what he herds" was implemented regarding the livestock of rebellious feudal lords, their agents, and herd owners, and the policy of "benefiting both" (benefiting herdsmen and herd owners) and the policy of "not to carve up, not to struggle, and not to divide into different classes" were implemented among feudal lords who did not engage in rebellious activities. In urban areas, the policy of "opposing rebellions, opposing feudal exploitation, opposing feudal privileges, opposing enslavement, and protecting private businesses" was implemented. And, in the religious circles, the policy of the "three oppositions" (opposition to rebellions, opposition to enslavement, and opposition to feudal privileges), the policy of the "three squarings" (squaring accounts of political persecution, class oppression, and economic exploitation), the policy of enforcing the Constitution in the religious circles, the policy of separation of religion from politics, and the party's policy of freedom in religious beliefs were implemented.

The successful implementation of democratic reforms in Tibet has opened up a new era in Tibet's history, and has a far-reaching effect and epochal significance to the Tibetan society's development and progress and to the prosperity of the Tibetan nationality.

Major Achievements Made in Tibet in Social Development and Other Areas in the Past 30 Years

In the past 30 years, there have been some bumps on Tibet's road of advance. Particularly during the 10 years of Cultural Revolution, due to the extreme leftist line's sabotage of the party's policies on the economy, on religion, on nationalities, on the united front work, and on cadres, Tibet's various undertakings suffered losses no less serious than in all other localities of the entire country. In spite of this, however, under the leadership and concern of the party Central Committee and the State Council and through the common efforts of Tibet's cadres, masses, and patriotic personages of various nationalities, Tibet has, after successfully realizing its democratic reform and completing the abrogation of the feudalist serfdom, still brought about profound changes and made tremendous achievements in promoting the causes of both revolution and construction, achievements that have drawn world attention.

It has consolidated the unification of the motherland and strengthened unity of the nationalities. In the past 30 years, the Tibetan people have become fully aware of the warm feelings the motherland community has for them and established socialist new-type relations with their fraternal nationalities. Under the leadership of the party, the liberated Tibetan people have assumed the posture of masters of the region to plunge themselves into the

causes of revolution and construction and made contributions in promoting the common prosperity of all nationalities. During the major events, including the suppression of rebellion, the reform, and the self-defense counterattacks, the Tibetan people, fighting alongside the PLA, have safeguarded the unification of the motherland, the unity of nationalities, and the consolidation of border defense with concrete actions. After the September 1987 disturbances in Lhasa, the people of Tibet, manifesting a very high political consciousness, indignantly denounced the crimes committed by a small number of splittists. Practice has proved that the people of Tibetan nationality ardently love the socialist motherland, and the relations between them and the Han people can stand the test of time.

It has exercised the right to regional national autonomy and realized the Tibetan people's hope of becoming masters of their region. Following the democratic reform, the region's various localities and the peasants and herdsmen have, through democratic elections, established organizations of political power at various levels. In 1965, the Tibet Autonomous Region was formally established. This was the true practice in Tibet of the regional national autonomy right provided the minority nationalities by the Constitution. Since the implementation of the "Law of Regional National Autonomy," the system of regional autonomy of minority nationalities has been further perfected. When the fifth autonomous regional People's Congress was convened in July 1988, 82.9 percent of the deputies were of Tibetan or other minority nationalities. Since the establishment of the Standing Committee of the autonomous regional People's Congress, it has adopted and promulgated 23 local laws and regulations. In addition, the autonomous regional people's government has also formulated and implemented a number of special policies and flexible measures that are based on the reality in Tibet. In order to ensure that the other minority nationalities in the region will be able to exercise their right to autonomy, eight nationality townships, including that of the Moinba, Lhoba, and Naxi nationalities, have been established one by one since 1983.

To meet the need to implement the system of regional national autonomy, our party and government have vigorously trained minority cadres through various channels. A contingent of nationality cadres, the majority of whom are of the Tibetan nationality, has been trained. In 1987, the number of cadres of the Tibetan nationality reached 33,000, accounting for 61.35 percent of all cadres in the region. A large number of nationality cadres with good quality and strong capabilities have assumed leading posts at various levels. Among the top level leading cadres in the autonomous region, the percentage of minority cadres now stands at 71.7 percent. The number one leaders of the people's congresses and governments at all levels as well as number one prefectural and city party and government leaders are all Tibetan cadres.

Tibet has witnessed a steady development in economy and construction and gradual improvement in the people's living standard. The democratic reform has eliminated the feudal system of oppression and exploitation and emancipated social productive forces. There has been faster development in agricultural and animal husbandry production in the past 30 years. In 1988, total grain output reached 520 million kg, or nearly three times more than in 1959, and the total number of animals reached 23 million head, a growth of 1.4 times when compared with 1959. Conditions for agricultural and animal husbandry production have greatly improved. Starting from scratch, modern industry has continuously developed in the past 30 years. At present, the region has 263 industrial enterprises that produce more than 80 categories of products. In 1988, total industrial output of the region reached 200 million yuan. By reviving and inheriting tradition, the nationality handicrafts have also made considerable progress.

To assist Tibet in promoting economic construction and to strengthen national defense, the state has appropriated large amounts of funds to develop communications and transport in Tibet. Now, except for Medog, all other counties are accessible by highway. Total mileage of highways open to traffic has reached 21,695 km. There is now an initial highway transport network with Lhasa as the hub and the Qinghai-Tibet, Sichuan-Tibet and China-Nepal Highways as trunk lines. Civil air routes have been opened between Lhasa and Beijing, Chengdu, Shanghai, Golmud, Lanzhou, and Katmandu. Posts and telecommunications work has developed rapidly since inauguration in the 1950's. By 1988, the region as a whole had 118 posts and telecommunications bureaus and offices at various levels. The total length of postal routes now reaches 14,800 km. A postal and telecommunications network with Lhasa as the center that connects different areas in Tibet and connects Tibet with other areas has basically taken shape.

Tibet has also witnessed very fast development in commerce, foreign trade, and tourism. In 1988, there were 39,900 commercial and food service stores and shops in the region, which employed 44,985 people and whose total volume of retail sales was 1.19 billion yuan. In 1988, the region's foreign trade registered a total import and export volume of 177 million yuan, 116 million yuan of which were exports. Both figures represented a large increase as compared with the years before the democratic reform. Since the policy of opening up to the outside world came into effect, tourism and the traditional border trade have shown new development.

Economic development brings with it a gradual improvement in the people's living standard. In 1988, the per capita income for the region's peasants and herdsmen was 380 yuan. Food or clothing shortages are no longer a problem for the majority of the peasants and herdsmen. Some of them have begun to get rich. As the living standard has improved, savings deposits by urban and rural residents have also increased by a large margin.

In 1987, the amount reached 269 million yuan, or 130 yuan per capita. In order for some of the poor areas to break free of poverty as early as possible, the state appropriated 117 million yuan between 1980 and 1988 as special relief fund for the poor. The old Tibet, which was a picture of dire poverty, has undergone a fundamental change.

Social and cultural undertakings have developed rapidly, which has promoted the building of socialist material and spiritual civilizations. The Tibetan nationality has a long history with a glorious and splendid traditional culture. In the past 30 years, mass cultural activities and professional literary and art work have constantly developed in Tibet. Remarkable achievements have been made in the studies of Tibet and in the salvaging and sifting of traditional cultural heritage. A number of Tibetan writers, artists, and professionals specialized in cultural work have matured. A number of fine works that both have nationality characteristics and reflect the modern times have won acclaim both inside and outside Tibet. The party and government are paying great attention to the cause of nationality education. There are 2,469 schools of various categories in the region that enroll 165,000 students. In recent years, 18 inland provinces and municipalities have opened more than 80 secondary school classes for Tibet, enrolling 5,278 students. Education is making new contributions for the development and prosperity of Tibet. Scientists and technicians have made gratifying achievements in the research and popularization of applied sciences. Journalism and the publishing industry have developed rapidly. The region as a whole has more than 30 newspapers in Tibetan or Chinese languages. There is now a radio and television broadcasting network covering the regional, prefectural, and county levels. There are 113 satellite reception stations at the prefectural and county levels alone. In 1987, the region had 868 medical and health organizations with 8,958 medical and health personnel, 73 percent of whom were of minority nationalities. The deadly epidemics that used to pose serious danger to the people's lives and health in old Tibet have been effectively controlled. Because the party and government attach importance to and support it, traditional Tibetan medical treatment and medicine have developed very quickly. There are now six Tibetan medical hospitals in different prefectures and counties. In addition, more than 70 county-run hospitals have set up a Tibetan medical department. The Autonomous Regional Tibetan Medical Institute will become the center to train medical personnel and develop Tibetan medical treatment and medicine.

Advance while bringing order out of chaos and develop through implementing the reform and open policy. The "Summary of the Forum on the Work in Tibet" issued in 1980 by the central authorities reiterated the ideological line of doing everything by proceeding from the reality in Tibet and proposed the central task and objective to attain in carrying out Tibet's work under the new historical conditions. This reclarified the guiding thought for

Tibet's work which became confused as a result of the Cultural Revolution, gave an immeasurable lift to all cadres and people of various nationalities in the whole region, and clearly indicated the orientation for advance. In the past 9 years, Tibet has set to rights things that had been thrown into disorder as far as the guiding thought is concerned. Politically, it has implemented policies on the united front work, nationalities, and religion and redressed cases of injustices left over from history. Job placement has been arranged for more than 1,700 patriotic personages. The ranks of united front workers have grown even stronger. Freedom of religious beliefs has been fully guaranteed for the people. The state has spent large amounts of money to repair and renovate a number of lamaseries, thereby satisfying the need of the people with religious beliefs to carry out normal religious activities. Economically, a number of special policies and flexible measures favorable to protecting and developing productive forces have been adopted. To enable the masses to build up their strength, the state stipulated exemption from agricultural and livestock tax and from the purchase of agricultural and livestock products by the state on fixed quotas within a given period of time. The commune, "large in size and collective in nature," was reformed. Now the land is "used by households with the right to make their own management decisions, a policy which will remain unchanged for a long time to come." The pastoral areas have implemented the policy of "livestock being raised by households with the right to make their own management decisions and livestock raised by individuals belonging to them, a policy to remain unchanged for a long time to come." This has aroused the enthusiasm of peasants and herdsmen in production. This is why agricultural and livestock production was resumed rather quickly. The people's living standards have improved more than in any period in the past. Relatively big achievements have also been made in the reform of the urban economic structure, opening up to the outside world, and the development of social and cultural undertakings.

Social progress and the development of various undertakings in Tibet over the past 30 years are a result of the joint efforts of the emancipated Tibetan people and patriotic personages in various circles as well as a result of vigorous support by the state and of selfless assistance from various fraternal nationalities. The state allocated 15.97 billion yuan to Tibet from 1952 to 1988 and shipped 1,740,790,000 jin of grain into the region. Tibet has been exempt from taxation since 1980. From 1952 to 1980, Tibet's tax revenue of 120 million yuan was totally retained for local use. For years, most of the major means of production and manufactured goods for daily use have been shipped in from the interior of the country. People of various nationalities throughout the country, especially cadres, technicians, and workers of Han nationality working in Tibet and PLA members stationed in the region, have made indelible contributions to building and defending the region after surmounting numerous difficulties. The Tibetan people will always remember them.

While taking note of tremendous achievements made in various fields over the past 30 years, we should also notice this: Tibet's economic foundation was very weak; it started the revolution and construction late. In addition, there were the influence of the 10 years of turmoil and mistakes we had made in work. The superiority of socialism has yet to be brought into full play. Compared with fraternal provinces and regions, we still have a long way to go. The level of the productive forces in our region is rather low, both cultural and educational undertakings are relatively backward, and the people's living standards are not high. The tasks in economic and cultural development are extremely arduous. There are still many problems and difficulties demanding prompt solution.

Understanding and Experience in Tibet's Work Over the Past 30 Years

In the 30 years since the democratic reform, Tibet has experienced success in the revolution and construction and also suffered setbacks in these regards. Practice proves that we must consistently pay attention to the following matters to stabilize the political situation, achieve economic prosperity, and develop various undertakings in Tibet:

1. Upholding CPC leadership and persisting in taking the socialist road are the basic guarantees for the liberation of the Tibetan nationality and social progress.

The history of revolution and construction in Tibet fully shows that the CPC, consisting of advanced elements of various nationalities, faithfully represents the interests of the Tibetan people. In Tibet, whose history and present situation are very special, it is of particular significance to uphold party leadership. The developments and changes over the past 30 years and the contrast of the new system with the old one have also made each of us, who are responsible to history and the Tibetan people, clearly realize that only socialism can bring happiness and a bright future to the people of various nationalities in Tibet. Without socialism Tibet could not become what it is today. Without upholding socialism Tibet will not be able to develop and progress in the future.

2. Exercising regional national autonomy under the unified leadership of the central people's government is a basic policy with which our party has been solving nationality problems in China, and this is a fundamental experience Tibet has gained in revolution and construction.

Exercising regional national autonomy calls for us to continuously improve the system of autonomy in accordance with the Constitution and the law governing regional national autonomy and to guarantee that the Tibetan people can exercise their right to self-government in political, economic, cultural, and other fields. At

the same time, we must resolutely oppose activities carried out in any way to undermine the unification of the motherland and to advocate separatism and retrogression.

Cultivating, selecting, and appointing cadres of minority nationalities is an important part of our policy to practice regional autonomy in areas of minority nationalities. In the past 30 years, our party has cultivated a large number of cadres of minority nationalities in Tibet. We should continue to step up our work in this area, and, at the same time, educate cadres of all nationalities to adhere to the policy that the Han nationality cannot isolate itself from other minority nationalities, and minority nationalities cannot isolate themselves from the Han nationality. Safeguarding and solidifying nationality unity is a sacred responsibility of cadres and people of all nationalities. One's stand and attitude on the motherland's unification and nationality unity are an important factor to be considered when selecting and appointing a cadre in Tibet. We should further strengthen the unity between the Han and Tibetan nationalities, especially between cadres of the Han and Tibetan nationalities. We should also prevent rising of the great Han nationalism and regional nationalism.

In Tibet, division between unification and splittism is the most prominent political dividing line. Struggle between splittism and unity in Tibet was a complicated and acute one and had been going on for a long time. On the one hand, we should hold high the banner of patriotism, unity, and progress; firmly safeguard the motherland's unification; solidify nationality unity; strengthen patriotic forces; and oppose splits and retrogression. On the other hand, we should use the force of people's democratic dictatorship to frighten and crack down on a handful of splittist elements who vainly attempt to restore the old system. Unity and progress, or splittism and retrogression—there is absolutely no room for compromise between these two.

3. We should adhere to the ideological line of seeking truth from facts and taking the actual situation into consideration. We should closely integrate the universal laws of Marxism with the actual situation in Tibet and be knowledgeable in dialectical unity between universality and particularity, and between common and individual characteristics.

Correctly understanding and grasping the dialectical relationship between common and individual characteristics is the central link of adhering to the party's ideological line. Grasping common characteristics means to keep on reminding oneself of the common wishes and goals of the people of all nationalities of the country; to staunchly safeguard the inseparable unification between Tibet and the motherland, which was formed over a long historical period; to continue to strengthen the socialist nationality relationships, which are based on equality, unity, and mutual dependence

under the party's leadership. Knowing well the characteristics of Tibet means proceeding from the reality of Tibet, constantly paying attention to the creative integration of the principle and policy of the CPC Central Committee with the actual situation of Tibet, making our policy and measure and work procedure meet the reality of Tibet and the will and requirements of all nationalities and people from all walks of life, and translating our policy and measure into a self-motivated common action. When making major political and economic decisions on Tibet and handling nationality and religious issues, we should be prudent and steady, and avoid impetuosity and acting rashly; we must consider carefully before making decisions. To achieve this, we should conscientiously carry out investigation and research, be resourceful, and make proper judgements; major decisions must be arrived at through scientific study and democratic discussion.

4. Firmly place economic construction at the center of all undertakings, adhere to the policy of reform and opening up to the outside world, greatly develop social productive forces, and accelerate the pace of economic construction in Tibet.

Democratic reform in Tibet enabled the people to shake off the political yoke. However, the very low productive level and the reality of extreme poverty in Tibet, a legacy left over by the old system, did not immediately change with the destruction of the old system. Therefore, developing social productive forces should be the main task of Tibet. Since 1980, the CPC Central Committee has repeatedly pointed out the need to quickly improve the economy of Tibet. Since last year, the CPC Central Committee has also repeatedly pointed out that the key for stability and development in Tibet lies in developing social productive forces and in engaging in economic construction in a down-to-earth manner. Accelerating economic construction is the foundation for a long-lasting social stability in Tibet, the earnest hope of the party and the state, and the urgent call of the Tibetan people for a thriving and rich Tibet.

The only way out for a thriving Tibet is reform and opening up to the outside world. Reform should be made the general guiding thought for all undertakings. We should continue emancipating our mind, make the development of social productive forces and the commodity economy a major task, and bring genuine benefits to the Tibetan people. We should continuously strive for realizing the three changes in the Tibetan economy, which are: a change from natural economy to commodity economy, a change from closed-type economy to open-type economy, and a change from supply-type economy to management-type economy.

5. Earnestly do a good job in the united front work and nationality and religious work; unite all forces that can be united, and mobilize all positive factors.

In the revolutionary and construction process of Tibet, our party attached great importance to the specific role of the united front work and to uniting all patriotic people to enhance the patriotic forces. Practice has proved that patriotic people in our autonomous region have, in the past 30 years, steadfastly followed the party, shared weal and woe with the Chinese Communist Party, and made great contributions to strengthening national unity and promoting social progress, thereby winning the praise of all nationalities and the party. In the new historical period, patriotic people from all circles are still a major and indispensable force in the grand enterprise of building a united, rich, civilized and new Tibet. We should sincerely unite them, making them fully bring into play their advantages of possessing wide connections and large influence in Tibet, and letting them offer suggestions and contribute efforts to various undertakings.

Tibet is a national autonomous region inhabited mostly by people of the Tibetan nationality. Steadfastly implementing the party's policy toward nationalities is the prerequisite for doing a good job in Tibet. We should, at any time and at any place, proceed from the greatest interests for all nationalities and the masses in Tibet and do a really good job in national autonomy work. We should make efforts to train minority cadres and professional personnel; fully respect the history, cultural traditions, and customs of all nationalities in Tibet; greatly stress the study and use of the Tibetan language; and constantly reinforce the new type of national relationship of socialism.

In Tibet, the vast majority of the masses have religious beliefs. Tibetan Buddhism has had a long, extensive, and profound influence in Tibet. To fully implement the party's religious policy and properly deal with the question of religion is a matter of vital significance, which should not be overlooked in developing the situation of stability and unity, resisting the infiltration by foreign hostile forces, and building the two civilizations. It is imperative to have a correct understanding of the peculiar nature of Tibet's religious question from the viewpoint of the principle governing the origin, development, and extinction of religions. Normal religious beliefs and activities should be respected and protected by law. Yet it is not permissible to use religion to intervene in politics, the judiciary, and education or to carry out any activities harmful to our national unity and the unification of our motherland. To fully and correctly understand and grasp the party's policy of freedom of religious belief is a question of prime importance that we must "be exceptionally cautious about," "very seriously deal with," and "carefully consider" in doing our work in Tibet. We should correctly understand and give full play to the influence and role of the religious circles; gear up the work of managing and guiding them as necessary; properly solve the question of self-support of monasteries; and unite the broad masses of religious believers, monks, and nuns to work together for the cause of construction of Tibet.

6. Attaching importance to building the socialist spiritual civilization and strengthening efforts in this regard with a view to promoting social development and progress in Tibet.

Tibet has returned to the embrace of the motherland after being freed from imperialist aggression and yoke and has leapt to a socialist society from the feudal society of serfdom. Because of this, it still has some vestiges of the old times and the old system in the political, economic, and ideological fields. To a great extent, these vestiges are restricting Tibet's social development and progress. The two tasks in building the socialist spiritual civilization are, therefore, even harder and more important in Tibet.

In building the spiritual civilization, it is necessary to uphold the four cardinal principles and conduct an ideological education with emphasis on fostering a concept about nationalities and religions based on patriotism, socialism, and Marxism. It is also necessary to give the masses education about the current situation. The masses, including the young generation, should be so educated as to make them aware of Tibet's past and present. In this education, facts should be cited to show that only under the CPC leadership and in the big family of the socialist motherland can the Tibetan people have a bright future. Moreover, education in ideals, discipline, and the party's basic line for the new period should also be conducted in association with the education in patriotism. At the same time, more efforts should be devoted to propaganda and education about the legal system so that cadres and masses will uphold and enhance the legal concept.

The most radical measure for the prosperity of Tibet is to advance in science and technology and improve the quality of its people. In the final analysis, this depends on the development of education. It is a strategic task in Tibet to gradually change the state of affairs wherein education does not keep up with the economic and social development. In recent years, we have done a lot of work and achieved some results in this regard, yet there is still a heavy task before us. We should use scientific methods to inherit and develop the Tibetan cultural tradition and, at the same time, assimilate the fine culture of other nationalities and try to manifest the spirit of our times to the fullest extent. We should develop projects in scientific research, publications, radio broadcasts, public health, and sports; strengthen the work of dissemination of popular science knowledge; and lead the masses to live a successful new socialist life.

We have reviewed the road traversed by Tibet and summed up its basic experience over the past 30 years with the hope that in the future there will be long-term stability and order in Tibet's society, its economy and culture will achieve stable development, its people's living standards will continue to improve, and the unity of the people of all nationalities will be further consolidated. I believe that under the correct leadership and

loving care of the party Central Committee and the State Council, the people of all nationalities in Tibet will surely strive hard to explore new ways to advance; rely on their diligence and intelligence to build a united, affluent, civilized, and socialist new Tibet; and contribute to the great cause of the four modernizations of the motherland.

Readjust the Economic Structure and Increase Effective Supply

OW1702202489 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 3, 1 Feb 89 pp 9-11

[Article by He Zhukang, secretary of the Jilin Provincial CPC Committee]

[Text] Improving the economic environment and rectifying the economic order represent a timely major decision made by the CPC Central Committee in light of the development of the current situation in our country. While curbing the total social demand at focal points and checking inflation in the course of our efforts to carry out this decision, we must also pay close attention to readjusting the economic structure and increasing effective supply.

The problem of panic buying of commodities occurred in quite a number of localities across the country during the second half of last year. The "trend of panic buying" has been basically brought to a halt after careful work conducted in depth. However, we should never assume that the conflict created by the total social demand outstripping the total supply has been eliminated. As a matter of fact, some important industrial raw and semi-finished materials are in short supply. The supply of a portion of daily necessities still cannot meet the demand of the people. Destabilizing factors still exist in the market. In order to improve the economic environment and rein in inflation, we must first curb total social demand. However, if we simply curb demand without increasing supply, it will not only be difficult for us to extricate ourselves from the present predicament but it will also be possible for an economic slowdown and contraction to result, thereby impeding the progress of reform. Improving and increasing effective supply to ease the conflict between total social demand and total supply is, in a sense, a task that "effects a permanent cure" in our efforts to improve the economic environment. Improving the economic environment and rectifying the economic order may obviate obstacles in the way of our efforts to improve and increase effective supply, while the improvement and increase of effective supply will be conducive to consolidating the achievements scored by our efforts to improve the economic environment and rectify the economic order and, as such, become a part of our improvement and rectification efforts in a positive sense. Therefore, in the course of our efforts to improve the economic environment and rectify the economic order, we should attach importance to improving and increasing effective supply.

Increasing effective supply does not mean increasing the production of every product in general. It means that we must exert a great deal of effort in increasing the capabilities of production and supply of the basic, mainstay, and superior industries and in increasing the production and supply of such important farm and sideline products as grain, cooking oil, meat, poultry, and eggs, daily industrial necessities for people, energy, and materials which are in short supply, readily marketable products made by the light and textile industries, commodities which are in great demand and which tend to withdraw more currency from circulation, and export products which can generate foreign exchange. The deficiency of effective supply is made worse, to a great extent, due to an imbalance in structure. If we want to maintain a balance between total social demand and total supply, we must maintain a balance not only in total supply and demand, but also in structure. Let us take a look at the situation in Jilin Province. The conflict between total supply and demand has been somewhat eased in the past 2 years. The conflicts in structure, however, have deteriorated day by day. In the rural production structure, more emphasis is placed on agricultural production, and the development of animal husbandry and diversified business operations is making slow progress. In its agricultural production structure, more emphasis is placed on grain, especially maize, while the production levels of paddy, cash crops, and horticultural crops are relatively low. In Jilin industries, the conspicuous problems are that heavy industry enjoys ahead-of-schedule development, while the development of light industry lags behind; that lack of coordination exists between the development of basic industries and the entire economy, between the raw and semifinished materials industries and the processing industries, between primary processing and intensive processing, and between the development of newly burgeoning industries and the transformation of traditional industries; that both the quality and quantity of products are unsatisfactory; and that quite a number of products are not readily marketable. This kind of unreasonable production structure and unreasonable mix of products have directly affected the effectiveness of supply. In the relationship between the supply and demand of agricultural products, on the one hand, there is an excessive quantity of maize which can be neither entirely consumed nor sold, distributed to other localities, or stored in warehouses; on the other hand, the supply of paddy, cooking oil, fish, meat, poultry, egg, other nonstaple foodstuffs, and industrial raw materials cannot meet the demand. There is no sign of lowering their forced-up high prices. In the relationship between the supply and demand of industrial products, on the one hand, high-priced commodities of excellent quality, chemical fertilizers, plastic sheeting for farming, and other means of agricultural production are in short supply; on the other hand, black and white television sets, wrist watches, bicycles, and single cylinder washing machines are overstocked. The province spends as much as 2 billion yuan on making products every year. On average, there are over 600 million yuan worth of products that have an output value but no

proceeds from sales due to price cuts and scrapping or discarding. In this way, energy, funds, and raw and semifinished materials are wasted without being able to bring about effective supply. The conflict between supply and demand becomes worse as a result. Therefore, whether or not we can establish a reasonable economic structure through readjustment and whether we can improve and increase effective supply are indications of our success or failure in our efforts to improve the economic environment and rectify the economic order.

In our efforts to readjust economic structure, we must, first of all, improve our sense of the overall situation. Since we want to readjust, we must guarantee the progress of some projects while curbing some others. If we lack a sense of the overall situation, it is very likely that we may not be able to guarantee the smooth progress of those projects that should be protected and curb those that ought to be curbed. Only when we abandon the projects in some fields can we achieve success in some others. We must sort out projects, enterprises, and products in the order of priority and resolutely curb those that ought to be curbed and make every effort to see to the smooth progress of those that warrant our protection. Since the shortage of electric power is very acute, we should not allow those small ferroalloy and carbon element enterprises that consume large amounts of energy to continue to operate. From a partial and local viewpoint, these products may yield very good economic returns. However, we must take the interests of the whole into consideration. We are short of funds. If, in our utilization of the funds, we split them up, we may not be able to achieve success in any key project of importance. Therefore, we must embody our sense of the overall situation in our action and carry out the principle of "guaranteeing the smooth progress of those projects that warrant our protection and curbing those that ought to be curbed." In this respect, it is incumbent on us to make a prompt decision at the opportune moment.

The key to readjusting economic structure lies in drawing up a policy that gives partial priority to the development of some focal industries. We must concentrate our efforts on solving the crucial problems that have a bearing on economic stability and the improvement of supply, making proper arrangements for the order of priority of industries to be developed, and drawing up relevant policies in light of the actual situation in Jilin Province. In regard to the production structure, we must give focal support to agriculture, petrochemical, automotive, and other mainstay industries; make vigorous efforts to develop such superior industries as foodstuffs, fodder, medicine and pharmacy, integrated utilization of timber, building materials, and papermaking; speed up the construction of such basic industries as energy, communications and transportation, telecommunications, and raw and semifinished materials; and attach very great importance to the development of the high technology industry in accordance with the strategy for economic development and the policy on industries. We must take resolute and decisive measures to impose

restrictions and bans on the general processing industries, especially the small industries consuming large amounts of energy with low economic returns, those that do not meet the requirements of rationalizing the economic structure, those that waste our resources, those that seriously pollute, and those that overlap with other construction, so that we may use our limited energy, funds, and raw and semifinished materials for the mainstay industries, superior industries, and basic industries to improve our overall and long-term supply capabilities and produce a force that restrains and checks inflation. In regard to agriculture, we must continue to attach importance to grain production and speeding up the development of diversified operations as well as the village and town enterprises. In our farm planting, we must strive to increase the acreage of paddy rice, soybeans, and cash crops. In our diversified operations, we must make vigorous efforts to develop animal husbandry and increase the supply of such non-staple foodstuffs as meat, poultry, eggs, and fish. In our towns and townships, due importance must be attached to raising poultry and livestock and planting grains and crops. In regard to the mix of products, we must give partial support to the production of such major products as raw and semifinished materials which are in short supply, energy products of coal and electric power, readily marketable products of light and textile industries necessary for people's daily life, commodities which are in great demand and which are conducive to withdrawal of currency from circulation, and export products that generate foreign exchange. We must restrict the production of products that have sluggish sales, goods whose supply exceeds demand, and products that induce overspending of funds and consume large amounts of energy. We must prohibit the production of obsolete products which are no longer in production by promulgated orders of the state according to the principle of guaranteeing the smooth progress of those projects that warrant our protection and curbing those that ought to be curbed. In regard to the investment structure, we must make a corresponding readjustment of industries and products in accordance with their order of priority, do a good job in the allocation of funds, and concentrate our efforts on guaranteeing the smooth progress of key construction as well as their supplemental and finishing projects. In regard to the credit structure, we must continue to implement the policy of giving different treatment to different customers, flexibly turn funds to better account, give support to key projects, curb general projects, implement differential interest rates in accordance with the list that shows the order of priority in getting loans for operating funds, control the total amount of credit, and optimize the credit structure. We must endeavor to further rationalize economic relations, optimize the distribution of resources, and increase the entire productive functions of the economy throughout the province as well as its overall supply capabilities.

At present, it is especially important to pay attention to the restructuring of the economy. This is because our economic environment is still far from being satisfactory. It has serious inadequacies in capital, energy

resources, raw materials, transportation capabilities, and foreign exchange. We are seriously short of cash and funds for making loans and we also lack sufficient foreign exchange. The daily requirement for electricity in the whole province is about 50 million kwh, but the state allocates only 27 million kwh of electricity to this province. Accordingly, the proportion of inadequacy in electricity is 46 percent. Raw materials allocated by the state to this province including steel materials, lumber, cement, soda, and caustic soda for this year will be 6 to 10 percent less than the quantities we received last year. A lot of enterprises are in a state of underproduction and cannot fully develop their production capability. Railway transportation in this province also cannot meet the need. Railway carriages can meet only 60 percent of freight transportation requirement in this province and 25 percent of the required capacity for transporting commodities to other localities. Therefore, large quantities of important supplies cannot be transported to other localities or be transported into this province. This situation has seriously restricted economic construction in this province. In the face of all kinds of difficulties, we cannot but ask various localities and departments in this province to clearly understand the situation, work hard in unity, tap potentialities, overcome various difficulties, do a good job in balancing our needs under the condition of shortages in various aspects, and properly arrange our industrial and agricultural production. In regard to capital, the situation of the shortage of funds for making loans cannot be fundamentally changed in a short period. Accordingly, we must ask various enterprises to look at their own capacity, seriously straighten their available cash, speed up the improvement of an accounting system, reduce the use of cash, tap all potentialities, make flexible use of their funds, and promote effective financing operations. In the field of power supply, in order to solve the serious contradiction in supply and demand, departments concerned and various enterprises should ensure effective operations in generating electric power, step up the installation of new generators, start to generate electricity as quickly as possible, increase power generation by using idle generators which were replaced by new ones, encourage various enterprises to have their own power plants generate more electricity, and strive to reduce the proportion of power shortage from 40 percent at the end of last year to less than 20 percent in the first quarter of this year. At the same time, we must strictly use electricity in a planned and economic way. We should adjust the structure and raise efficiency in using electricity. In the field of raw materials, we should give priority to supporting agricultural and light industry production and the production of people's daily necessities. We should ensure the effective use of raw materials. We should also stress support for export - oriented enterprises and capital construction and renovation projects required by the province. In transportation work, we should ensure the transportation of important supplies such as coal, lumber, grain, edible oil, and the agricultural means of production. We should also give priority to the transportation of products produced by key enterprises. We

should strengthen coordination in dispatching various means of transportation, do a good job in transporting supplies to and from the province, increase loading and unloading efficiency, speed up the turnover in transportation, and further improve the assignment and connecting operations of highway and railway transportation so as to alleviate the tense situation in railway transportation.

In order to increase effective supply, we must strive to reduce the consumption of raw materials, improve the quality of products, raise labor productivity, and increase economic results. Our low effective supply is not because of lack of speed in developing production, but is due to low economic results. The per capita fixed assets of industrial workers in this province and per capita revolving funds both rank sixth in the country. However, the amount of profits and tax per 100 yuan of fixed assets and profit margin rank 21st and 19th in the country, respectively. The unit consumption of raw materials of 70 percent of industrial products in this province is higher than the national average. Therefore, we can see that, in order to increase effective supply and raise economic results, we must change our guiding principle in our economic work and consider the raising of economic results as a central task. We must increase effective supply through raising economic results. At present, quickening the pace of technological progress, strengthening operations and management, and doing a good job in supervision and evaluation are important measures for raising economic results.

Science and technology are relatively strong in Jilin, but scientific research work is not closely integrated with production. A number of difficulties in production technology need to be solved, and some scientific and technological research results have not been properly used. Therefore, there is still great potential for increasing economic results by relying on scientific and technological progress. In the course of improving the economic environment and rectifying the economic order, we should further implement the principle of relying on science and technology in promoting economic construction and of having science and technology geared to the needs of economic construction. We should stress the development of foundation industry, supporting industry, and advantageous industry, and develop and utilize key technology in promoting production. In the meantime, we should stress developing some new products with high technology and special characteristics of this province, such as photoelectron and bioengineering, and consider technological progress as a principal way in raising economic results.

One of the important subjects in raising economic results is the strengthening of operations and management. In order to obtain relatively high economic results, various enterprises must have a strict control system as well as a sound operational mechanism. Various enterprises should establish a responsibility system for ending deficits and continue to implement the system under which

the plant director is held responsible for the attainment of certain objectives. They should make efforts to improve operations in a comprehensive way and strengthen basic work in management.

Economic work should focus on raising economic results. This has been mentioned for many years and we have made great efforts to raise economic results. However, so far the results are still not quite satisfactory. One of the main reasons is that we lack effective supervision and evaluation. We have not found an effective way to supervise and control the raising of economic results. Accordingly, we often say that we should focus on raising economic results, but what we are doing is merely competing with each other in terms of speed. To solve this problem, governments at various levels must strengthen the periodic evaluation of indexes of economic results. They must change from the past practice of simply taking output value and speed as the main evaluation criteria for economic development and begin examining the ratio of profits and taxes to the amount of investment and sales, the average labor productivity, the rate of decrease in production costs as compared with fixed costs, and the rate of decrease in the consumption of energy in industrial production, in accordance with the demands of the State Council. The evaluation findings should be periodically announced and the results should be linked to the contract responsibility system and awards and punishments. In this way we can raise our ability and level of macrocontrol and gradually establish and improve an economic mechanism which can ensure the constant increase of economic results.

Adjusting the economic structure and raising economic results in order to increase effective supply are inseparable from enterprises. Today, we must increase the vitality of enterprises in order to increase effective supply while deepening the reform of enterprises. On the other hand, deepening the reform of enterprises is a fundamental way to fully develop production capacity and potential and increase effective supply. Therefore, only by deepening reform and invigorating enterprises can we overcome our difficulties, develop production, increase effective supply, and lessen the contradiction between supply and demand.

We Cannot Pursue a Deficit Finance Policy
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[Article by Yu Xiaoping 0060 1420 1627; Author's Unit: Research Institute of Financial Science of the Ministry of Finance]

[Text] Since carrying out reform in its economic structure in 1979, China has been suffering financial deficits every year except in 1985 when China had some surpluses in state finance due to special factors. The deficits were not accidental outcome of budget execution; many of the deficits were already included when preparing the budget. We may say that China has been practicing a

kind of deficit finance policy in recent years. Many comrades engaging in the research of economic theory even found a theoretical basis for practicing such a policy. In my view, the application of a deficit finance policy requires the presence of certain conditions. However, China does not possess these conditions. Even if we acquire the conditions, this policy can at best be used as a temporary means. The application of this policy will not help us attain long-term and stable economic growth; on the contrary, it will bring forth unfavorable and negative effects. Seen from the present situation, deficit finance and its attendant inflation have become the obstacle to price reform, which runs contrary to establishing a new order in a socialist commodity economy.

I. Deficit Financial Policy Has Already Been Discarded by Major Capitalist Countries

The theory on deficit finance was the product of the 1930s when the capitalist economy was hit by the Great Depression. This theory had seen its heyday in history. The adoption of the deficit finance policy had helped Britain, the United States, and other capitalist countries extract themselves from the mire of economic crisis and stimulate the revival of their economies. However, the birth and application of a deficit finance policy has its conditions. The deficit finance theory advanced by the Keynesian economists was based on the analysis of effective demand lower than the supply of social products. Economic crisis in capitalist countries mainly shows up in overproduction, products unable to be sold, and blocked capital flow. This is because under the state of unplanned social production, capitalists, in pursuit of surplus value, push the production to limitless expansion. Workers' ability to pay for demand is by contrast limited. The result then is unsalable products and falling profits, which in turn greatly blunt the initiative of capitalists to invest and lead to accumulation of more savings in society than the desire for investment. It was precisely this kind of background situation that led Keynes to work out the following formula by taking into account a balance between social supply and demand: Savings + tax revenue = investment + government expenses. He proposed that to strike a balance between the overall supply and demand, the amount of government expenses should be made more than tax revenue, when savings outstrip the desire for investment. This is the practice of a deficit policy and of increasing government expenses. The government, through issuing large amounts of government bonds to attract idle funds from society and by converting social funds into government expenses, stimulates the rise in the level of demands and promotes product sales. More employment opportunities can be created through increases in government investment. More employment opportunities can alleviate the impact of social upheaval caused by unemployment. More government investment can temporarily alleviate the social contradiction between supply and demand and can make the economy move again. The analysis of Keynes was basically true to the actual

situation in the developed capitalist countries at that time. Therefore, his theory gained wide acceptance and was adopted by many countries.

However, the deficit finance policy is at best a measure which can be adopted by the government to temporarily relieve the contradiction between overall supply and demand; it can also be said to be an expedient measure. It is not and will not be a panacea to deal with the fundamental contradiction of capitalism. With the passing of time, deficit finance policy is losing its charm. The side effects accumulated over the years brought about by huge deficits have made many countries gradually realize the serious consequences of this policy; many countries have, one after another, discarded this theory.

1. Deficits accumulated year after year have become a heavy burden for the government. Although deficit financing can temporarily stimulate economic growth, deficits accumulated year after year will become a heavy burden for the government. To issue bonds, the government has to pay both principal and interest. Bonds have plunged many a nation into a vicious circle in which new debts are borrowed to pay off old debts. By the end of 1985, the United States Federal Government had accumulated nearly \$2 trillion, or 49.3 percent of the 1985 GNP, of unpaid national debts. In the U.S. federal expenditure, interest payments alone have reached \$187.1 billion, approximately 20 percent of the total federal expenditure. These daily expanding debt payments in the federal budget have greatly weakened the U.S. Government's ability to readjust the economy and implement macromanagement. Old debts have forced the government to continuously borrow new debts to pay both capital and interest of old debts. More new debts only mean heavier burden for the government. This kind of vicious circle has plunged the U.S. Government into an unextricable "monster circle." Britain, Japan, Canada, and Italy have all experienced such dire straits. Currently, these nations are trying everything possible to extricate themselves from this predicament.

2. Financial deficits have brought along and inflation and aggravated it.

Another danger of deficit financing is that it keys up the money market and exacerbates inflation. Because a considerable amount of the society's capital has been absorbed by the government with bonds issued year after year, there is less capital on the market, and interest rates rise, causing difficulties to investors to raise funds. To sell bonds, the government have to raise their interest rates. This, in turn, further raise interests rates, making it more difficult for the investors. This repeating cycle year after year has fueled a steady rise of interest rates on the U.S. money market. The U.S. commercial banks' prime interest rate was 2.25 percent in 1950. It rose to 6.75 percent in 1970 and reached as high as 21.5 percent in 1981. The U.S. Central Bank's discount rate was 5.5 percent in 1970 but jumped to 14 percent in 1981.

Continuously rising interest rates have narrowed the gap between the investors' profit margin and interest rates, which dampens the investors' enthusiasm and adversely affects economic growth.

In theory, covering finance deficits by means of bonds as practiced by the Western nations means borrowing from the citizens their idle capital for use by the government, and since the government has corresponding material backup for these funds, they seem not to cause inflation. However, in practice, the great quantities of bonds issued year after year have keyed up the money market, adversely affected investments, and slowed down economic development. To maintain economic growth, central banks in various nations often buy a part of the bonds to supply money in circulation, ease tension on the money market, and keep down inflation. However, the added money supply in circulation often exceeds the market's real economic needs, and by the multiplying effect of money, the money supply is further expanded by a large margin to cause inflation. Besides, as negotiable securities, bonds can be freely circulated and converted into cash at any time. Thus, the bonds themselves also play a role as added money in circulation. Consequently, the issuance of large quantities of bonds to cover huge deficits over a long period of time inevitably causes inflation and becomes a chronic disease very hard to cure. Deficit financing has plunged many nations into the predicament of a vicious circle. Many years ago, western economists already began criticizing the deficit financing theory of Keynesian economics. Many governments have discarded the expansion finance policy one after another.

3. Various major capitalist nations have spurned deficit financing one after another.

Having learned its lessons from the terrible experiences of vicious inflation in the two world wars, the Federal Republic of Germany implemented an austerity policy as early as in the 1960's. It has given the Central Bank the power to strictly control money supply which has in turn lowered inflation, stabilized prices, and helped maintain sustained economic growth. Particularly since the 1980's, the FRG has strived to reduce deficits and maintain a balanced budget and has achieved tangible results. The federal government's deficits dropped from 37.2 billion marks in 1975 to 26.9 billion marks in 1980. The ratio of deficit in the gross national product also dropped from 3.6 percent in 1975 to 1.8 percent in 1980. It further dropped to 1.7 percent in 1984.

In Britain, since Mrs Thatcher assumed office in 1979, the past practice of including a large amount of deficit in the budget has been changed. At the same time, a series of resolute measures have been adopted to cut the financial deficit. On the one hand, social welfare spending has been reduced to cut the government's expenditure. On the other hand, the rate of consumption tax has been raised, and some state owned enterprises suffering

losses have been sold out, thus increasing the government's revenue. These measures greatly trimmed the British Government's deficit, from 10.5 billion pounds sterling in 1984 to 7 billion pounds sterling in 1986. In the 1987 budget, the deficit was further reduced to 4 billion pounds sterling. The proportion of deficit with respect to the gross national product also declined. It was over 7 percent in the 1970's and came down to 3 percent in 1982. If the 1987 budget is fulfilled, it will drop further to 1 percent.

Formerly an active follower of Keynesianism, the United States has now begun to change its past practice by cutting its budgeted deficit in every possible way in a bid to achieve a balance between revenue and expenditure. As early as the beginning of his first term, President Reagan made the promise to cut financial deficit. Because of a lack of effective measures, however, federal deficit showed a considerable rise instead of being reduced. In 1985, it hit a record \$212 billion. This serious problem evoked great attention from people of all communities in the United States. Having been plagued by financial deficit for years, people of all communities called strongly for the elimination of the deficit. Eventually, in December 1985, both the Senate and the House of Representatives adopted by an overwhelming majority the "1985 Budget Balancing and Emergency Deficit Reduction Control Law," (or the Gramm [as published] bill for short). The focal point of the bill was that the U.S. Federal Government must be without a deficit and achieve a revenue-expenditure balance by 1991. It also set a series of diminishing ceilings for financial deficits for fiscal years from 1986 to 1991. The deficit ceilings are \$171.9 billion for 1986, \$144 billion for 1987, \$108 billion for 1988, \$72 billion for 1989, \$36 billion for 1990, and zero for 1991, when a balance is achieved between revenue and expenditure. Without a doubt, there would be numerous difficulties in implementing this bill, and it would be hard to speculate whether the bill could ultimately achieve the intended objective. However, the adoption of the bill at least indicated that the U.S. Government and Congress were holding the financial deficit in detestation.

It is worth mentioning that the Gramm bill not only set the ceilings for allowable deficits, but had a strong measure for reducing deficits, namely an "automatic" budget-cutting procedure. According to its procedure, if the budget made by Congress and the President surpasses the deficit ceiling, the budgeted deficit must be "automatically" reduced to a level below the ceiling according to the calculations made by the budget bureaus of the government and congress and the chief auditor. The concrete procedure is to classify the federal expenditures into two categories: defense expenditures and nondefense expenditures. Except for "specially excused" items, each category should share one half of the required reduction. The percentage of reduction for either category of expenditures (defense expenditures or nondefense expenditures) is obtained by dividing the required reduction for that category (which is one half of

the total amount of reduction) with the total amount of expenditures in that category. All individual expenditures in that category should be reduced by this percentage. The formula is as follows: the amount of reduction of a budgeted item equals the budgeted amount multiplied by the quotient found by dividing one half the [budgeted deficit minus the budgeted deficit as permitted] by the total budget in the category (defense or non-defense):

Amount of reduction of a budgeted item =

budgeted amount x

$$\frac{1/2(\text{budgeted deficit} - \text{budgeted deficit as permitted})}{\text{total budget in the category (defense or non-defense)}}$$

As can be seen from the above measure, the U.S. Government and Congress have such a firm determination to eliminate financial deficit that they have no scruples in using a "uniform" hard method. When signing this bill, President Reagan said: "With the adoption of this bill of historic importance, Congress has taken a significant step toward rectifying our financial system. Deficit reduction is not only our hope and goal, but has become a law." Despite the numerous difficulties involved and the uncertainty of success in achieving the goal, the U.S. Government has nevertheless made a big stride on the road of renouncing the Keynesian deficit-budget policy toward the objective of a balanced budget.

The many facts cited above show that the deficit financial policy, which prevailed for some time after the 1930's and played a role in expanding effective demand and stimulating economic operations, has now displayed an increasingly negative effect. The harmful effects it has produced on the ensuing years after the solution of difficulties have been perceived by more and more people. This is why governments of all countries have taken measures to reduce their financial deficits and try to return to the road toward a revenue-expenditure balance.

II. The Policy of Financial Deficits Is Not Suitable for China's National Condition

The policy of financial deficits played a positive role in promoting the economic prosperity of some capitalist countries because Keynes' analysis of the situation basically conformed with the developed capitalist countries' reality at that time, that is, the reality of relative overproduction and inadequate effective supply. However, China does not possess the objective conditions the capitalist countries had, and our national condition does not allow us to pursue a policy of financial deficits.

1. The reality in China is characterized by insufficient production and excess demand.

Ours is a socialist country, where the working people are their own masters. The exploiting class that owned most of the means of production has been eliminated and state enterprises play a predominant role in the national economy. This should make it impossible for effective supply to be inadequate in China. However, precisely to the contrary, at present in China productivity is low and demand excessive due to the overheated capital construction in recent years and the fact that the new economic mechanisms—which have yet to be correctly established in the course of reforming the old economic structure of rigid control—are characterized by strong forces stimulating demand and but weak forces that restrict it.

Total demand has two main components: demand for investment and demand for consumption. The volume of demand for consumption is decided by the people's purchasing power. Under the capitalist system, the working people's purchasing power is relatively weak, because the interests of workers and the owners of the assets conflict. Given that total income is fixed, the more wages the workers receive, the less profits the capitalists will receive: This is why the capitalists have tried their best to pay workers as little as possible, while the working class has continuously struggled for increased wages. The actual level of wages is determined by the relative strengths of the working class and the capitalists. As for the supply of manufactured goods to society, the laboring people's total consumption demand is relatively low, and individual capitalists' consumption, although high, is limited by their number and therefore cannot fundamentally change the situation of inadequate demand for consumption. Under the socialist system in China, the system of public ownership of the means of production eliminates the conflict between the interests of workers and enterprise owners. The aim of production in China is to satisfy the working people's growing material and cultural needs to the extent possible. Therefore the state, as the owner of enterprises, always considers the workers' interests and tries to improve their living standards whenever possible. Especially in recent years, during the transition from the old to the new system, the state has allowed enterprises to keep a portion of their profits at their disposal, separated ownership and managerial powers in state enterprises, and given enterprise managers greater decisionmaking power. However, the responsibilities, powers, and interests of enterprise owners, directors, and laborers (staff members and workers) have not yet been straightened out, and a mechanism for restricting enterprise behavior has not yet been established. Actually, enterprise directors should, most of all, ensure a continuous increase in the value of their assets for earning more profit for the state. However, in practice enterprise directors (plant directors and managers) have often become proxies for staff members and workers in demanding pay raises and bonuses and have tried their utmost to ask the state for more consideration. Some enterprise directors have even issued subsidies and overtime pay, in cash or in kind, under all sorts of pretexts—in violation of financial and economic discipline. A

handful of enterprises borrowed money to issue bonuses, because refusing workers' demands for increased consumption would incur their resentment. Moreover, issuing additional subsidies and bonuses in cash or kind to staff members and workers also benefits the managers themselves. This is why some managers gladly engage in such practices for dual benefit. The strong stimulating and weak restrictive forces in recent years have resulted in the increase in workers' incomes greatly exceeding any rise in labor productivity and caused an excessive expansion of consumption funds. This is also caused by overstaffing in organizations at various levels, giving dinners at public expense, and other unhealthy practices.

Let us look at investment demand. Here again, we do not see that supply has ever exceeded demand in China; i.e., investment demand is less than the potential of social savings. In capitalist countries, productive investment in general is conducted by capitalists. Their investment is affected either by the amount of their capital or the investment environment. They will not invest in anything unless they are certain of higher profit yield rates than loan interest rates. Therefore, when the economy is in recession and products' realization is not smooth, we see less investment demand. By contrast, the proportion of private investment in China is very small, with the state and state-run enterprises being the chief investors. Affected by years of ideology guiding in the wrong direction, leadership at all levels is often obsessed with success and eager to do more. As a result, the construction scope often exceeds what the nation can handle. Here again, we encounter the problem of a strong incentive mechanism versus a weak control mechanism. In the case of state investment, policymakers tend to focus on the results of investment—how much output value is increased, how many jobs are created—and give little thought to the economic effectiveness of the investment; even if projected effectiveness is not achieved after a project goes operational, they themselves suffer no losses. Therefore, they are restricted only by their own ability to tap money from the treasury. This characteristic is also observed in the case of enterprise investment, because enterprises get their investment capital chiefly from either the production development funds in their retained profits or bank loans. Normally investment with bank loans should be handled carefully. However, enterprises using bank loans for investment are given "pre-tax repayment" treatment, which allows them to use profits and taxes generated by the new investment to repay their loans. In real practice, profits and taxes generated by the new and old investments are very difficult to separate. Therefore, even if they make an unwise investment, they can still use the profits and taxes created by their original facilities to repay their loans. In reality, it turns out that enterprises borrow money and the treasury repays it. This certainly poses no constraint whatsoever when enterprises make their investment decisions. As far as enterprises are concerned, they like to invest as long as they can obtain loans. The more they invest, the bigger their enterprises expand. As a result, their output value increases, they

hire more workers, and the enterprises enjoy higher prestige. In China, as enterprises are classified administratively by their size, expansion is the natural way for an enterprise to be upgraded, say, from department level to bureau level. Under such a mechanism, investment demand is limited only by whether loans can be obtained. Unless banks impose a squeeze on credit and loans, it is impossible that investment demand will ever be outstripped by savings. On the contrary, with a slight slip, we see that the scope of capital construction expands beyond the strength the state can handle. Our experience since the founding of New China has time and again proved this.

The expansion of demand for investment will in turn increase the demand for consumption. This is because a part of the funds for capital construction will be used for labor costs which will become the workers' purchasing power.

From the above two aspects, we can see that in our country the situation in which total supply exceeds total demand will not occur but the situation in which total supply cannot satisfy the total demand will always occur. As to the situation in which the supply of certain commodities exceeds demand, it is because of the overstock of certain products and is only a structural surplus owing to manufacturing large quantities of products which are not welcomed in the market. In terms of total demand, it always exceeds the total supply. In the economic environment in which demand exceeds supply, the adoption of expansionist financial and monetary policies will only aggravate the situation.

2. Our country's method of making up the deficits can easily cause inflation.

Our country's methods of handling and calculating financial deficits are different from those of western countries. This has given many people an erroneous idea. They think that although our country has had some deficits in recent years, the figures are not very large and we do not have to be afraid of the situation. They think that financial deficits are caused only by the government borrowing unused purchasing power from society, and that deficits will not cause inflation. In fact, deficits announced by our country, namely account deficits, are only a part of the true deficits and are the so-called "hard deficits." In other words, after the borrowed money is put into the state revenue, the amount still cannot cover the total expenditures.

If the accumulated financial deficits of western countries will indirectly cause inflation, our country's method of making up financial deficits may directly cause inflation. In the past, our country did not use the method of issuing treasury bills to make up for "hard deficits," but directly overdrew from the bank. In recent years, our country has been making efforts to solve this problem but actually the problem still has not been solved. Theoretically, if the bank can tighten the money in circulation, reduce the

scale of credit, and shift a part of the purchasing power as represented by savings deposits for government disbursements, inflation can be checked. However, our country cannot do that under the present situation for the following reasons:

(1) Our country's national economy is in a situation in which the total demand is greater than the total supply. There is a great pressure on the requirement of funds for various purposes. In addition, the current bank interest rate is lower than the rate of inflation and has become a sort of negative interest. This situation has discouraged deposits and encouraged enterprises to borrow money. In this way, the banks naturally will be short of funds and cannot have more money to support the finance of the government.

(2) Even if the central authorities forcibly tighten the money in circulation, enterprises will still counter it openly or covertly. They can use the limited funds for projects which should be curtailed and allow necessary projects to lack funds. As a result, money for certain projects (such as capital construction), which should be tightened, are not tightened; but money for other purposes (such as reasonable revolving funds), which should not be tightened, are tightened.

3. Because the father-son relationship between the government and enterprises has not been severed, whenever an enterprise badly needs capital or has difficulty in operating, the local government is sure to apply pressure on banks. Under these circumstances, it is very difficult to persist in the retrenchment policy.

When even the banks themselves cannot effectively control the scope of credit, and when the finance departments overdraw from the bank, what else is left for the banks to do besides issue more money? Therefore, under present circumstances in China, it is safe to say that financial deficits inevitably bring inflation.

No doubt the deficits shown in the state budget for the past few years have already become a heavy burden to state finance and will continue to be one in the future. Further deepening economic structural reform and maintaining steady agricultural and industrial growth will need plenty of financial support during the next several years. However, the payments of principals and interest have already become a fixed feature in the national budget. In the past several years, the income realized from debts has been larger than the payments of principals and interest. However, when the peaks of principals and interest payments arrive after 1990, the annual payments will be about 15 percent of the expected annual financial expenditure. What that means is that each year about 15 percent of the annual financial expenditure cannot be spent on economic construction or other development projects. No doubt this will weaken the strength of finance, making it difficult to

shoulder the formidable tasks of carrying out macro-adjustment to the national economy and providing financial support to various reform projects.

Currently, inflation has become a serious obstacle to deepening reform and has forced price reform to slow down. It can be said that financial deficits accumulated over the years are a major factor behind the current inflation. Therefore, to improve the economic environment and eliminate inflation, an important task is resolutely to reduce deficits. There have been many feasible suggestions concerning this issue; the most fundamental one is changing our theoretical understanding, totally discarding the viewpoint that deficits and inflation can bring economic growth, and establishing a correct guiding ideology of "seeking truth from facts" and "acting according to one's ability."

Eliminating deficits and harnessing inflation certainly are very difficult and even painful tasks. However, if these problems are left unsolved, they will only serve to add a greater burden to the already heavily burdened state finance, give old negative practices a chance to continue, and bring serious damage to the entire national economy. It is better to decide to make some sacrifices in current economic growth than to suffer for long periods later on. We must relatively quickly achieve a sound cycle in the nation's economic activities and create a good environment for China's economic structural reform and macroeconomy.

It Is Imperative To Strengthen Party and Government Building in Developing Commodity Economy—Inspiration From a Survey in Wenzhou
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[Text] **I. An Important Guarantee for Success in Reform Is To Strengthen Party and Government Building in the Course of Developing the Commodity Economy**

Since the 3d plenum of the 11th CPC Central Committee, socialist commodity economy has demonstrated its inherent vitality in Wenzhou, and the old system of a product economy has begun to rapidly transform into the system of a commodity economy. First, the rural economy is basically geared toward a commodity economy. Second, all the markets show signs of prosperity. The number of general markets in Wenzhou increased from 117 in 1978 to 504 in 1987. The city now boasts 18 nongovernmental shareholding credit cooperatives which implement floating interest rates. Some 101,000 workers are hired by private individuals in urban areas,

almost doubling the number of jobs arranged by government plan during the Sixth 5-Year Plan. Specialized businesses in information and science and technology have appeared. Some of them are earning 160,000 yuan a year. Third, much progress has been made in the commercialization of housing in urban areas. From 1981 to 1985, private individuals in Wenzhou City invested 169 million yuan in buying and building houses, 1.5 times the total state investment in housing construction in Wenzhou since liberation. This accounts for 16.5 percent of the total number of households in the city. Fourth is the transformation of the old system for goods and materials supply. The city now has 150 markets dealing in the means of production, with some 10,000 employees and an annual transaction volume of more than 300 million yuan. In 1986, the sales of rolled steel, cement, and timber by individual businesses accounted for 67.8 to 82.9 percent of the total sales of the society.

Wenzhou has tremendously developed its productive forces by switching from a product economy to a commodity economy. In almost 10 years' time, the total industrial and agricultural output value rose from 1.881 billion yuan in 1978 to 7.867 billion yuan in 1987, a 3.2 percent increase. There were over 400,000 prosperous households with an annual income of about 4,000 yuan, accounting for one-third of the total peasant households in the city. The achievements in economic construction have brought practical benefits to the people in their lives and provided a more solid foundation for strengthening the building of party and government organs under new historical conditions.

Meanwhile, contradictions and problems that showed up in the course of developing the commodity economy have subjected party members and cadres to tempering and tests in reality. In the course of developing the commodity economy, the satisfactory handling of the relationship between party members, cadres, and the masses has become a crucial factor for ensuring continued economic growth. In recent years, following the rapid development of the commodity economy, the number of party members in Wenzhou City subjected to disciplinary action has been rising, from 1.5 to 3.5 per thousand. One-fourth of them were punished for economic problems, and half of them were involved taking bribes. Most of them were cadres and party members who hold power in economic, judicial, and personnel affairs. Moreover, cases of abusing power to seek private interests, serious bureaucratism, gambling, and leading dissolute lives, which accounted for a fairly large proportion, have created an extremely bad influence among the masses. In practice, the masses are judging the so-called "party style" in the process of switching from the old to the new system mainly by looking at whether or not these problems can be satisfactorily solved.

II. It Is Necessary To Focus on Three Questions When Conducting Work in Party and Government Building in the Course of Developing a Commodity Economy

1. In the course of developing the commodity economy, the question of the integrity of party and government organs has become more acute.

In the case of Wenzhou, the question of integrity is probably related to the commodity economy at three levels.

At the first level, following the development of the commodity economy, the task of public administration has become too arduous for the administrative departments to handle. From 1981 to 1987, industrial and commercial enterprises as well as private businesses of all kinds in Wenzhou rose respectively by 2 and 10 fold. Wenzhou City proper, with a population of 540,000, has a temporary and floating population of 180,000. Although bureaus of finance and tax, industry and commerce, and communications, as well as public security and procuratorial departments, courts, and other judicial departments have considerably increased their staff, it is still inadequate for getting the job well done. For instance, of the 53,713 private enterprises, only 5,570, or just a little more than 10 percent, have been assessed by the finance and tax bureau for tax payment. Since the economic activities of all types of enterprises can not be effectively controlled and supervised, it is hard to prevent violations of law and discipline by enterprises. Violations of law and discipline that have resulted from a loss of control over enterprises have worsened the external environment for promoting the integrity of party and government organs.

At the second level, low quality is a common problem encountered by public administrative departments as they try to strengthen their work. To cope with counterfeit commodities, tax evasion, and many other unlawful activities, departments such as public security, industry and commerce, and finance and tax have augmented their staffs by recruiting large numbers of temporary workers to serve as law enforcement personnel. The political and vocational quality of these people cannot be guaranteed. In addition, there are not enough supervisory offices within these administrative departments. For instance, the administrative supervision office in the Wenzhou City Public Security Bureau is supposed to be in charge of the organization cadres section under the Political Department, but that section has only four cadres to handle matters related to organization, personnel, labor and management, implementation of policies, and many other day-to-day affairs. They simply do not have the energy to manage matters well in this aspect. Furthermore, cadres in these departments make fairly low pay. Dishonest activities are likely to occur if they are not properly educated and managed.

At the third level, enterprises or private businesses have the money, while administrative cadres have the power but low quality and income. Without adequate supervision, many dishonest activities begin to occur, which usually include power abuse, extortion, accepting bribes, bullying the masses, bending the law for selfish interests, and so on. A market inspector may decide whether the operation of private businesses at their stalls, which may be a dozen or so or even several dozens, are legal or not. A tax inspector may increase or decrease taxes for a

dozen or so or several dozen enterprises under his jurisdiction. A public security cadre or policeman has certain powers over domiciliary matters and penalties for offenses against public security. In addition, he may also supervise the operation of some special trades that have emerged in recent years. Effective supervision over these powers has become an essential condition for ensuring integrity.

We know from facts that the development of the commodity economy has presented two requirements for the establishment of a new order: One is to enhance the government's related functions, strictly manage the market and public affairs, and create a stable and harmonious social environment for commodity production. The other is to supervise and restrict the powers of these functional departments and truly guarantee the integrity of government organs. Without upholding this principle, the government will change its nature and the party will be divorced from the masses.

2. Correctly mastering the principle of beneficial results is of utmost importance to fostering closer relationships between the party and the masses and between government organs and the masses.

Socialist commodity economy and capitalist commodity economy both stress beneficial results, a common principle for them. However, if we fail to tell their substantial differences in theory, and especially in practice, and if we fail to correctly handle the contradictions between beneficial results and ideals and between beneficial results and fairness, it is possible for our commodity economy to divert from the correct path of development, and for our party and government organs to be divorced from the masses, thereby making it difficult to carry on reform.

The contradiction between seeking beneficial results and pursuing ideals manifests itself mainly in the unbecoming behavior of the party members in the course of developing commodity production. First, there is the issue of party members working as hired workers. Wenzhou is more advanced than other areas in terms of the hired labor force. By 1986, 1,312 households in the city's rural areas had family members working as hired workers. The total number of hired workers, both temporary and permanent, reached 200,000. According to a survey, 27 percent of the party members in one of its towns were employed as hired workers, accounting for 10.4 percent of the town's total hired work force. The employment of this disproportionately large number of party members, while contributing to the development of the commodity economy, had led to the bewilderment of the vast number of people about the purpose and policies of the party. Second, there is the issue of cadres with party membership holding a second job. This is an acute problem among the industrial enterprises owned by the whole people in Wenzhou City, and it has affected normal production. In some factories, 30 percent of the cadres with party membership are engaged in a second

occupation. Some people have commented: "This is what party members are doing—concentrating on earning money at the expense of the enterprise." Third, there is the issue of cadres with party membership engaging in family manufacturing and sideline undertakings. In Wenzhou, many urban residents use the front porch of their houses as stores and operate family factories in the back yard. A survey of a certain city district shows that 55.7 percent of the district and township cadres were engaged in family manufacturing and sideline businesses in their spare time. While contributing to the development of commodity production, this state of affairs has caused discontent among the masses, because it involves the very matter of cadres using their special status to get special treatment in obtaining loans, purchasing materials, and selling their products, and thereby earning money at the expense of ordinary people. This and other unbecoming behavior, condoned for the sake of achieving beneficial results, have weakened both the image of the party members among the people and the idea of working for ideals and higher goals. Some cadres with party membership not only regard themselves as fellow competitors in the commodity economy but even go a step further and use their special status as members of the ruling party to resort to the "law of the jungle," forgetting justice in the face of profits. This, more than anything else, has aroused the indignation of the masses. If this problem is not studied and resolved promptly, the prestige of the party and government organs will inevitably decline. Ultimately, the problem is bound to affect the deepening of the reform and the all-round improvement of economic benefits.

The contradiction between beneficial results and fairness is reflected mainly in the excessive gap in income in the course of developing the commodity economy. Office cadres serve as an example: Their per capita income in 1987 was 1,038 yuan, which was lower than the average living expense of 1,105.5 yuan in Wenzhou. The per capita income of enterprise workers was even lower. In Wenzhou, there is a stratum of high income earners. The number is quite large, and includes families with many hired workers, salesmen, and individual businesses. Their per capita income ranges from 1,500 to 100,000 yuan, with the median income at 8,000 yuan. Differences in income in Wenzhou have widened beyond the limit tolerated by the people and have become a major issue in public discussion.

We should acknowledge that the policy of giving priority to beneficial results while paying attention to fairness, adopted by the government in developing commodity production, conforms to historical demands. This policy is conducive to breaking egalitarianism, which encourages people to eat from the same big pot without discrimination, and helps arouse initiative in work, develop differentiated needs, and reduce the demand for identical goods and services on the market. However, we should also realize that in Wenzhou, where the market mechanism is not perfect, industrial and commercial rules and regulations are not comprehensive and sound,

and the market forces are not well organized, many have become rich through illegal means. Bribery, tax evasion, manufacturing of fake and substandard commodities, financial speculation, or even deception and extortion have become important means in the accumulation of wealth. To many, the inequity in income through the use of illegitimate means is unacceptable. Under such circumstances, we must adopt a macroeconomic approach to readjusting the income policy while, at the same time, making efforts to improve the market mechanism. Otherwise, the masses will lose hope and faith in the development of the commodity economy and will no longer trust the party and the government.

3. Problems of all kinds caused by the double-track price system pose a rigorous test for the relationship between the party and the government on the one hand and the masses on the other.

Along with the deepening of the reform of the economic structure, the two-tier price structure has brought more and more difficulties and problems to party building and the construction of the organs of state power. The differences between different kinds of prices in the two-tier price structure are excessively large. For example, the price difference of nonferrous metals and the raw materials for plastics extends from around 7,000 or 8,000 to 30,000 or 40,000 yuan per metric ton. The difference in interest rates between loans offered by the state industrial and commercial bank and the loans extended by the private sector is as high as 4 percent a month. For an enterprise to earn money and make a profit, the first thing to do is to get hold of raw materials whose production is included in the state plan and obtain low-interest loans. Even if it cannot find raw materials covered by the state plan, it should still try to get access to cheaper materials which have not been transferred from hand to hand too frequently as a profiteering counter. This is the root cause why the "document of approval" in the hands of the leading organs and leading cadres and the "planning papers" of the economic management organs are being sold and resold at high prices. In order to obtain raw materials covered by the state plan and loans, a plant director may perfectly justifiably use the "operating funds" to give dinners and present gifts, the operations clerks can use various pretexts to offer bribes, and the middlemen can accept commissions without any guilty feelings. It has become a common occurrence for enterprises and private businessmen to use money, things, or favors to buy out those who hold the examination and approval powers, allotment authority, or decisionmaking powers.

A more effective way to get rid of the soil that breeds such unhealthy practices is to achieve a transition from the double-track system to the market-oriented system and to reduce and eliminate the phenomenon in which the means of production, the consumer products, and the elements of production are circulating in the direction of wherever the powers may be. However, it will take time for us to complete the transition from the

double-track price system to the single price system. During the transition, we should resolutely investigate and deal with the intermediaries who take advantage of the administrative powers in their hands and the price differences to seek exorbitant profits at the expense of the enterprises and the consumers. At the same time, we should also examine the matter in an all-round way when formulating the price reform policy in order to eliminate as much as we can any possible loopholes that might have been overlooked so as to reduce to the minimum the price we have to pay to implement the price reform.

III. Several Measures for Building Closer Relations Between the Party and the Masses and Between the Government and the Masses

1. It is necessary to adhere to the principle of tackling corruption by different departments and under unified leadership.

In the course of developing a commodity economy, the prestige of the party and the government in the eyes of the masses will be undermined and their enthusiasm for reform dampened if we fail to promptly and effectively resist and eliminate certain unavoidable negative social phenomena. Some of the undesirable phenomena are caused by general social conduct and others involve violations of law and discipline or administrative and party discipline. For a long time, however, they were generalized as problems caused by party work style. A review of Wenzhou's work in rectifying unhealthy practices shows that it was carried out under the leadership of the party committee and with the discipline inspection commission assuming the responsibility and different departments making a concerted effort. It should be pointed out that this is a rather reasonable approach. On the one hand, without the party committee's unified leadership and coordination, it would be difficult for any department to do an in-depth job. On the other hand, if all problems are attributed to party work style and are handled individually by the discipline inspection commission, there will indeed be many shortcomings. First of all, party members and ordinary people view party work style as being in a state of chaos. With their high expectations not being fulfilled, they forfeit their confidence in improving party work style. Second, the failure to clearly define tasks and responsibilities deprives the relevant supervisory departments in the government of their capability to effectively execute their functions. Third, the discipline inspection commission, which plays the leading role, cannot overstep its powers in handling problems involving government administration, law, and discipline, thus affecting the normal functions of the state administrative and judicial powers. Therefore, it is necessary to follow the principle of coordinating the efforts of different departments in tackling corruption under unified leadership. On the one hand, we must see to it that cases of violating law and discipline are handled individually by the relevant department. On the other hand, we must stress the party committee's unified leadership and coordination in

working out measures in a planned and systematic manner to tackle corruption, especially a host of problems that have adversely affected the general conduct of society but that are not serious enough to place on file for investigation and prosecution.

2. It is necessary to adopt reform supporting measures so as to keep abreast of the needs of a new order in commodity economy.

The situation in Wenzhou explains that the process of establishing a new socialist commodity economic order is one filled with conflicts and friction between new and old systems and ideas, and that the disorder frequently seen in social management is a major factor engendering all sorts of unhealthy practices. Problems caused by unhealthy practices can be resolved in a true sense only after the transition from the old to the new system is basically completed and the new order of commodity economy established, that is, after the overall reform plan is basically realized. While rapidly developing the commodity economy in recent years, various "pilot" and "advanced" regions in reform have freed themselves from the mechanism of control under the old system, thereby underscoring the necessity of adopting support measures for the reform. In delegating powers to lower levels, eliminating defects in government administration, and increasing the flexibility of individuals and the grassroots through various reform measures, it is necessary to work out a compatible new supervisory system, code of conduct, and structure of power restriction and distribution, otherwise we will be caught unprepared for unexpected circumstances. One of the focal points in solving this problem is that in making reforms in the "pilot" and "advanced" regions, we must also reform the mechanism of control so as to enable the party's discipline inspection commissions, the government's supervisory departments, permanent law and discipline enforcement agencies of the people's congresses, and the party organ's work of exercising supervision through public opinion to accumulate experience in pilot projects, really build up strength under the new circumstances, and cope with the needs of the development of a commodity economy.

3. It is necessary to reasonably increase the income of cadres so as to provide the necessary conditions for ensuring their honesty in performing duties.

While educating party and government cadres about honesty in performing duties, we should reasonably increase the income for their living expenses. This is an indispensable measure for ensuring clean party and government organizations in the course of developing the commodity economy. At the root of the problem are the ways and means for increasing cadres' income in view of the government's general austerity measures. The systems of holding party and government organizations responsible for the salaries of a fixed number of

personnel and of using low interest loans to build agricultural and sideline production bases, currently practiced by some localities, have been rather effective in solving immediate difficulties. A relatively safe option is, on the condition that party and government organizations increase their revenues under the system of holding themselves responsible for the finances at their own level, to link cadres' income proportionately to local commodity price rises, with the increased portion of income to be paid from the local finances. The establishment of such a mechanism will make it possible for us to combine the control of price rises with the increase of cadres' income, and thus achieve comprehensive efficiency. In view of the tight budget in both central and local governments, it is necessary to work out rational and overall arrangements in solving this problem in light of the total demand for reform expenses.

4. It is necessary to perfect the supervisory mechanism in the leadership system and build up party and government organizations' capability for self-purification.

Exercising effective supervision over our party members and particularly over leading cadres at all levels in the process of establishing a new order of commodity economy is the key to ensuring that the party is free from corruption and the cadres are not divorced themselves from the masses. This has been accepted theoretically by comrades in the whole party, but has encountered tremendous difficulty in practice. Most cases of encroaching on the interests of the masses by a handful of party member leading cadres were discovered through information provided by ordinary people. In a very few cases, they were brought to light by the inner-party security organs' execution of duties. An example is the situation in Wenzhou. An error committed by principal leaders of units at and above the county level is regarded as a blunder. While escalating an error to a blunder, a leader places himself in a privileged position and thus finds it difficult to accept criticism or help from cadres at the same level who are most familiar with the circumstances. In order to maintain close contacts between party and government organizations and the masses under the new situation, we should practice political control and supervision among the people and within party and government organizations. There are two forms of practicing political control and supervision. One is through the role played by the people's congress and the people's political consultative conference, which reflects directly the legal supervision and control. The other is through the supervision and control inside the ruling party and political organs within the limits prescribed by law. Proceeding from the political power structure to which we must adhere, it will be of greater immediate significance if we practice these two forms of political control and supervision at the same time, with greater emphasis on the latter. The supervision integrated with the administrative powers from top to bottom is a traditional political formula worked out on the basis of a natural economy, whereas the checks and balances of powers between leaders at the same level is obviously a demand in the

development of a commodity economy. Our endeavor to build up the party and government organizations' capability for self-purification through improving the supervisory mechanism has precisely manifested the objective demand of a new order of socialist commodity production.

Today, as we enter a stage of strengthening the reform in an all-round manner, we should inspire understanding and support for the reform from the masses as much as possible in order to make up our deficiencies in ideological and theoretical preparations and the shortage of funds for reform. Relations between the party and government organizations and the masses will be reflected most directly in the fluctuations of the masses' confidence for the prospects of reform. History has testified to the fact that the success of our country's cause hinges entirely upon the people's attitude toward this cause. This is precisely the motivation of our study of the relationship between the party and the masses and between the government and the masses in the course of developing the commodity economy.

Marx' Philosophical World Outlook Is Practical Materialism

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[Text] One hundred years ago when Engels openly published Marx' *Theses on Feuerbach*, he pointed out that it was "the first document comprising the gifted burgeoning of a new world outlook."

The so-called gifted burgeoning of the new world outlook was mainly manifested in that in the "Theses" not only did Marx criticize all previous forms of materialism, which "only apprehended objects, reality, and perception objectively or through direct observation instead of apprehending them as perceptual human activities and practice," or in other words apprehending them from a subjective viewpoint, but he also criticized idealism for "knowing nothing about realistic and perceptual activities themselves." He advocated a "new materialism," which holds that "the unity between the change in environment and the change in human activities or the change in oneself can only be viewed and reasonably understood as a revolutionary practice." He pointed out that "philosophers only use different ways to interpret the world, but the question is to change the world."¹

Shortly afterward, in *The German Ideology* Marx described the new world outlook stated in the "Theses" as "practical materialism." In that writing, Marx stressed that "to practical materialists, that is, communists, the question as a whole is to revolutionize the present world and to practically oppose and change things existing currently."²

As can be seen, practical materialism was the sole name given by Marx to the new world outlook he created. In line with the description given by Marx himself, we should define the Marxist philosophic world outlook as practical materialism.

I

Marx not only called his new world outlook "practical materialism" but also set forth the basic features of this new world outlook.

One of the basic features is to put strong emphasis on the great historical role of practice and the importance of world outlook. Such role and importance are prominently expressed in the following fact: Although the present perceptual world in which we are living has long existed, it has undergone transformation through human labor and is full of wealth created by the practice of labor. As such, it is based on the practice of labor.

If it is affirmed that the material world had objectively existed long before the birth of mankind, how can we say that it is based on the practice of human labor? The reason is that the material world, which had objectively existed prior to the birth of mankind, has undergone ceaseless changes in its outlook and its state of existence as a result of the practice of human labor in the process of the development of human history. In the ever-changing outlook and state of the material world exists the materialized labor of mankind.

As a matter of fact, except for the mining industry, in which labor is used to exploit natural things, the objects to be dealt with in all production processes have been filtered through labor. Even animals and plants, which are commonly known as natural products, have assumed their present forms through many generations; they are products of incessant changes under the control and through the labor of man. We can say that in the present multicolored perceptual world there is a considerable amount of human labor coagulated and materialized in various objects.

Hence, the matter is quite obvious: The revolutionary change brought about by Marx in the field of philosophy found its expression primarily in the introduction of practice into the world outlook, existentialism, and ontology.

For a long time, however, people have frequently alleged that Marx introduced only practice into the theory of knowledge and the concept of history.

This allegation is unfounded because when Marx proceeded from a philosophic viewpoint and later from the angle of political economy to elaborate on the need to subjectively apprehend objects, reality, and perception as the practice of man and to explain that the practice of human labor is the foundation of the existing perceptual world, the question he raised had gone beyond the

framework of the theory of knowledge and the concept of history and entered the realms of world outlook, existentialism, and ontology. His question was: Should the development of the existing perceptual world be viewed as having nothing to do with the practice of man or as being based on the practice of human labor?

To interpret this question, which Marx incisively posed concerning world outlook, existentialism, and ontology, as merely a question on the theory of knowledge and the concept of history is, in reality, to obliterate the revolutionary change in world outlook made by Marx and to adhere to the view that the world operates on its own rule and has nothing to do with man's practice. To do so is to persist in the old materialism, which apprehends things only from the objective point of view or through direct observation.

Another allegation has it that Marx laid great stress on the role and significance of practice only in his early writings, and he changed his own viewpoint in the matured works he wrote later. In the preface to his *Das Kapital*, for example, he stated that the development of the economic state in society is a natural process of history.

This allegation is not in line with the fact. It was in no other works than *Das Kapital* that Marx continued to uphold the viewpoint that labor creates wealth and transforms the world, a viewpoint he had stressed in *The German Ideology*. According to this viewpoint, "As a rule, coats, linen, and any other elements of material wealth not existing naturally must be created through certain specialized and purposeful productive activities aimed at adapting particular natural materials to human needs. For this reason, as a creator of use value and as useful work, labor is a factor for the existence of mankind independent of the forms of society. It creates the material change between man and nature, an ever-lasting natural inevitability through which human life is realized."³

As for the allegation that Marx viewed the development of the economic state in society as a natural process of history, it only shows that in Marx' opinion, the practice of human labor, once materialized and embodied, follows an objective law independent of man's will. This indicates that what Marx upheld was not an ordinary philosophy of practice, but practical materialism. In no way can it be construed to indicate that Marx changed his viewpoint of the practice of labor.

II

Another basic feature of the practical materialism created by Marx is that it consistently adheres to materialism. That is, while stressing that the practice of human labor is the foundation of the existing perceptual world, it persists in maintaining the priority status of the natural world. This priority status finds expression in all circumstances. The external natural world is always the

material premise for human labor. The practice of human labor creates objects in the world and transforms the inorganic kingdom. When the practice of labor has been materialized and embodied to an extent beyond the production of labor products, it becomes an integral part of the external natural world. To people's later perceptual activities and to those of the next generation, it will appear as a preexisting external natural world as well as a material premise for their perceptual activities. This is why it has a "priority status."

Still another allegation holds that the practice of human labor is a prerequisite for the formation of the human world. So the "priority status" of the external natural world so called by Marx should refer only to the natural world existing prior to human history and is not a basic point parallel to practice in the Marxist philosophy because the practice of man inherently includes the world around him (objects and tools). Based on this, the allegation interprets Marx' practical materialism as a practical ontology or a practical monism.

Obviously, this allegation is incompatible with Marx' basic ideology. At all times, Marx stressed the external natural world as the realistic material premise for the practice of human labor.

As early as in his *Economic and Philosophic Manuscripts of 1844*, Marx pointed out: "Workers cannot create anything without nature and the perceptual external world. Nature and the perceptual external world are where the workers perform their labor and, through such labor activities, produce materials for their products."⁴

In *The Holy Family*, Marx also pointed out: "Man did not create materials themselves. Man created this or that capability of producing materials under conditions that materials themselves had already existed."⁵

In his works *Das Kapital* and *Critique of the Gotha Program*, Marx time and again emphasized that labor is not the only source of material wealth it creates and that land and the natural world, like labor, are also the sources of wealth.⁶

Obviously, it is completely groundless to describe "materials," "land," "the natural world," and "the perceptual external world," put forward by Marx in his such works, as the material premises for the practice of human labor, as the natural world which had existed before human history, or as some things "inherently included" in "human practice." In actual life, such an argument may also make people forget that "labor is restricted by nature" at all times.⁷

Likewise, interpreting the practical materialism founded by Marx as a theory of practice transcending idealism and materialism has nothing to do with Marx' basic thoughts.

Undoubtedly, Marx drew on the rationalities of idealism when he, in his *Theses on Feurbach*, criticized the old materialism for failing to proceed from a subjective viewpoint and to regard objects, reality, and perception as perceptual human activities. However, it is right here that Marx, basing himself on the materialist world outlook, also drew on the rationalities of Hegel's concept of labor and that he did not mechanically copy anything without taking a stand. Therefore, the question here is not one of transcending idealism and materialism but one of critically drawing on the rationalities of idealism, overcoming the defects of old materialism, and founding a new materialism—practical materialism. Although practical materialism is different from all other types of materialism, it is still materialism, a new materialism. The new materialism has overcome the main defect of the old materialism—excluding human practice from the world outlook—but it is not what is called a “theory of practice” transcending idealism and materialism. To sum up, practical materialism stresses that the practice of human labor has the significance of world outlook being the foundation for the existing perceptual world; it also upholds the materialist stand that the perceptual external world takes precedence. These two basic viewpoints constitute the indispensable contents of Marx' practical materialism. Without the first basic viewpoint it will be impossible to make a clear distinction between Marx' philosophic world outlook and old materialism; without the second basic viewpoint it will be impossible to distinguish Marx' philosophic world outlook from idealism. At the same time, the two basic viewpoints are interdependent, restrict each other, and are united on the basis of the philosophic world outlook of practical materialism; they provide for each other's limits and characteristics.

III

It is alleged that when Marxism was created, Marxist philosophy was only a vague entity, and it was with the appearance of dialectical materialism that a distinction was made between the Marxist world outlook and the concept of history. According to this allegation, this distinction within Marxist philosophy represented a step of progress. Today, to replace dialectical materialism with practical materialism is not to progress, but to retrogress.

It should be noted that this allegation is not in line with the history of development of Marxist philosophy.

As far as the history of development of Marxist philosophy is concerned, Engels openly published *Theses on Feurbach*, the first document introducing Marx' thought of practical materialism. He said that this was “the first document comprising the gifted burgeoning of a new world outlook.” Engels and Marx jointly wrote *The German Ideology*, which formally set forth the world outlook of “practical materialism.” Then, in *Dialectics of Nature*, Engels criticized the lopsidedness of the nationalist historical viewpoint, stressing the fact that “it

forgets that man also reacts to and transforms nature to create new conditions for his survival.” He also pointed out: “Only very little has been left from the ‘natural world’ of Germany at the time of the immigration of the Germanic people. Earth surface, climate, fauna, flora, and human beings, themselves, all are undergoing incessant changes, and all this is due to human activities. But the change in the German ‘natural world’ during this period without human intervention is indeed very little.”⁸ Like Marx, Engels reiterated in *Dialectics of Nature* that labor combined with the natural world is the source of all wealth. It should be noted that all these coincide and agree with Marx' practical materialism.

On the other hand, however, it must be pointed out that when discussing the characteristics of old materialism in *Ludwig Feurbach and the End of Classical German Philosophy*, Engels only cited three points: its mechanical nature, reductio ad absurdum, and failure to implement materialism in the area of social science. He did not mention the “major drawback” of old materialism that Marx had pointed out in “Theses on Feurbach”; that is, it only apprehended objects, reality, and perception objectively or through direct observation rather than from a subjective point of view, and it failed to understand the question as perceptual human activities and practice.

In the preface to the third edition of *Socialism: Utopian and Scientific* and *Anti-Duhring*, Engel referred to the characteristics of “modern materialism” he created with Marx. However, he only stressed that they had saved the self-conscious dialectics from the German idealist philosophy and changed it into the materialist concepts of nature and history, and that “modern materialism” views history as a process of the development of mankind, aims at discovering the dynamic role of this process and epitomizing the latest achievements in natural science, holds that the natural world also has its own history as far as time is concerned, and so forth. He did not stress the fact that the Marxist philosophy critically assimilates and transforms the idealist dynamic-role theory on the basis of materialism, especially Hegel's *Phanomenologie des Geistes*, which “grasped the essence of labor” and the fact that practical materialism was created by taking the force of mankind “as an object.”⁹ Nor did he emphasize the ideological viewpoint that the practice of human labor is the foundation of the existing perceptual world, as stated in *The German Ideology*.

It should be noted that the “modern materialism” mentioned by Engels here does not entirely coincide with Marx' “practical materialism.” Anyway, however, Engels did not put forth the term “dialectical materialism,” still less did he regard it as Marx' philosophic world outlook.

In the history of the development of Marxism, Ditsgan [di ci gen 3695 1964 2704] was the first one describing the Marxist philosophic world as one of “dialectical

materialism." He mentioned the term "dialectical materialism" four times in the book *A Socialist Rambling in the Field of the Theory of Knowledge*, which he wrote in 1886.¹⁰

However, Ditsgan used "dialectical materialism" as one of the names for the Marxist philosophic world outlook. He used it in parallel and interchangeably with such terms as "neo-materialism," "modern materialism," "German materialism," "sociodemocratic materialism," "socialist materialism," and "dialectical or socio-democratic materialism" and made no explanation and argument as to why he called the Marxist philosophic world outlook "dialectical materialism." Hence, when he first put out this term, there was almost no response. What is more, during the 9 years from 1886 when Ditsgan put forth this term to 1895 when Engels passed away, Engels did not express an approving attitude for this term. On the contrary, in *Feuerbach and the End of Classical German Philosophy* published in 1888, or 2 years after the appearance of this term, Engels still used "modern materialism" when referring to the Marxist Philosophic World Outlook.

Five years later, in 1891, Plekhanov published his article "Sixtieth Anniversary of the Death of Hegel," in which he used the term "dialectical materialism" four times.¹¹ Yet the term still earned no praise from Engels during the 4 years before his death.

In *A Discussion on 'Economic Factors'* which he wrote during 1897-98 but which was not published, Plekhanov gave an explanation as to why he used the term "dialectical materialism." He quoted Engels' words in the article "Socialism: Utopian and Scientific" saying that materialism is "dialectical in essence" in both history and nature. Plekhanov also quoted Engels as stating in the preface to the third edition of *Anti-Duhring* that Marx and he saved self-conscious dialectics from the German idealist philosophy and changed it into the materialist concepts of nature and history. Plekhanov said: "It is not difficult to avoid using this term (dialectical materialism). We may say it in a blunt way: modern materialists."¹²

On the other hand, Plekhanov attached great importance to the *Theses on Feuerbach* in which Marx expressed his thoughts on practical materialism for the first time; Plekhanov expounded the theses in his works, such as *Collected Essays on the History of Materialism, Bernstein and Materialism*, and the *Basic Questions of Marxism*, and described the theses as "embracing a program of modern materialism to a certain extent" and "the start of a new stage for the development of materialism." However, his expositions of the theses apparently deviated from Marx' basic thoughts. First, Plekhanov described what Marx called the question of practice with the significance of world outlook as a conception of history and summed it up as a "psychological question." Second, Plekhanov said that Marx' criticism of the major defects of old materialists, including Feuerbach, "did not

touch on Feuerbach's basic viewpoints, but to the contrary." Third, he interpreted Article 1 of the "Theses," in which Marx proved practice to be of the significance of world outlook, only as an "epistemological" question. Fourth, he said that the greatest revolution Marx had been carrying out mainly manifested itself in enriching materialism with "the results of the theory of evolution" and "has given us the key to understanding the evolution of mankind."

The above shows that on one hand, Plekhanov described the Marxist philosophic world outlook as "dialectical materialism," a description which originated from his understanding and analysis of what Engels called "modern materialism"; and on the other hand, in expounding and prescribing the specific content of "dialectical materialism," he added actually his own ideas to "dialectical materialism," which Engels had not expounded. Such ideas had nothing to do with Marx' thoughts on practical materialism.

Some of Lenin's philosophical thoughts (especially his thoughts on political philosophy) are identical with or close to Marx' thoughts on practical materialism. For example, Lenin said: "The world will not satisfy people, and the people are determined to take action to change the world."¹³ "Man's practice must be regarded...as the actual determiner of the connection between things and man—which should be included in the satisfactory 'definition' of things."¹⁴

Lenin's analysis of the major defects of old materialism was fundamentally based on Engels' expositions in *Ludwig Feuerbach and the End of Classical German Philosophy*. In discussing the revolutionary change brought about by Marx in the philosophical sphere, Lenin particularly and mainly used dialectics to deepen and develop materialism and applied the materialist understanding of human society to the understanding of history; he did not act in the spirit of the *Theses on Feuerbach* to stress what Marx called regarding objects, reality, and perception as human perceptual activities from a subjective viewpoint and understanding practical materialism as practice.

In "Excerpts From Lassalle's Book *Die Philosophie Herakleitos des Dunklen von Ephesos*," Lenin quoted Heraclitus' exposition: "The world is an all-inclusive entity. It was not created by any god or any people. It is an eternal lively fire burning and going out according to the law in the past, at present, and in the future." After this exposition, Lenin put a note: "This is an excellent explanation of the principle of dialectical materialism."¹⁵

No doubt, Heraclitus' exposition contains the elements of dialectics and materialism. But there is also no doubt that this exposition is inconsistent with Marx' practical materialist ideology. This is because what is indicated in the above-quoted exposition is a philosophic world outlook excluding the practice of human beings. Besides,

Heraclitus' exposition did not tally with "modern materialism" referred to by Engels. The reason is that according to Engels' explanation, the original, spontaneous ancient Romanic materialism, including that of Heraclitus, lacked a thorough understanding of the relationship between thinking and material, and so idealism and spiritualism were created to negate materialism. Only after idealism and spiritualism were again negated by modern materialism did ancient materialism reappear at a higher stage.

It follows that describing the ancient and spontaneous materialism of Heraclitus as an excellent explanation of the Marxist philosophical world outlook—"dialectical materialism"—does not conform to the basic ideology of Marx and Engels. However, this appeared only in Lenin's note on reading. It was not in a philosophic thesis officially published by Lenin. Still less was it a fundamental principle that Lenin used to construct the Marxist philosophic system.

Nonetheless, in Stalin's *Dialectical and Historical Materialism* published in 1938, Heraclitus' exposition and Lenin's note were regarded as essential cornerstones for building the Marxist philosophic world outlook, thus giving rise to a philosophic system excluding the practice of human beings from the world outlook.

As can be seen from the above brief review of the history of development of the Marxist philosophy, what happened in the past from practical materialism to dialectical materialism is not a question of "internal division" of the Marxist philosophy, but a question of deviation from the Marxist philosophic world outlook. Accordingly, the change from dialectical materialism to practical materialism today is not a question of "retrogression." Instead, it is a question involving the eradication of the dogmatic understanding about Marxism and the erroneous viewpoint in the name of Marxism. It goes without saying that this signifies "progress," not "retrogression."

IV

Today, we define the ideology of practical Marxism first unequivocally described in *Theses on Feuerbach* and *The German Ideology* as Marx' philosophic world outlook and use this as a criterion to judge the right and wrong in the history of the development of Marxist philosophy. This is not because the relevant statement was made by Marx, himself, still less because we want to take the words of a 27-year-old young man at that time as being sacred and inviolable in a bid to make a fetish of "whatever" said by Marx. No. The basic reason is that Marx' practical materialism has been proved to be correct by the practice of our times. Marx' practical materialism has satisfied our various urgent needs in the new era and the urgent needs arising from our new practice.

In the present world, the enormous wealth created by the practice of human labor has resulted in an unmatched development of productive forces. In such an era, if we exclude human practice from the world outlook and simply advocate determinism and fatalism without stressing man's dynamical role, we are apparently running counter to the spirit of the times and, in particular, doing something inconsistent with the great historical mission of the proletariat. Obviously, the prominence now given to the principle of subject in Western philosophy and the emergence of various schools of thought of "Western Marxism" stressing the role of practice are inseparably linked to this background.

The accelerated development of science and technology has opened new areas of human activities and considerably boosted mankind's capability of influence on nature, turning it into a might powerful enough to match natural forces. Such influence has been expanded to the surface of the whole earth, to all materials and natural resources in the earth's crust, and even out of the earth's scope and to the universe. On the other hand, however, the accelerated development of science and technology can also produce serious side effects. If, for one reason or another, man fails to foresee and control the consequences of his activities or cannot apply properly or put under control the above-mentioned powerful might, a dangerous imbalance will appear in the interaction between man and nature. This will, in turn, bring about acute contradictions in human society and create scores of very complicated social problems that will pose threats to the present survival and future development of mankind. Against such a background there have appeared global, ecological, and other problems that require the entire mankind to take measures to seek solutions. Under these circumstances, if we merely stress the great historical role of the practice of human labor in creating wealth and transforming the world but ignore the fact that such practice is also restricted by nature, the environment for the survival of mankind will obviously be jeopardized, and it will be impossible to effectively solve the global social problems facing mankind. It should be noted that the upturn of the various materialist thoughts in Western philosophy and the rise of various scientific and materialist schools of "Western Marxism" are connected with these circumstances.

Such being the case, to meet the practical needs of hundreds of millions in our era, we should have a philosophic world outlook that stresses not only the great historical role of the practice of mankind in creating wealth and transforming the world but also nature's restriction on such practice. This world outlook should not only emphasize the significance of practical world outlook but also keep to materialism. Marx' practical materialism is precisely such a philosophical world outlook. Because of this, we should use Marx' practical materialism to guide our practice, and on the basis of the new practice in our era, we should further advance Marx' practical materialism.

Footnotes

1. See Marx and Engels: *Feuerbach*, 1988, People's Publishing House, pp 83-36.
2. Ibid., p 19.
3. *Collected Works of Marx and Engels*, Vol 23, p 56.
4. Ibid., Vol 42, p 92.
5. Ibid., Vol 2, p 58.
6. Ibid., Vol 23, p 57; Vol 19, p 15.
7. Ibid., Vol 19, p 15.
8. Ibid., Vol 20, p 574.
9. Ibid., Vol 42, p 163.
10. *Selected Philosophic Works of Ditsgan*, 1978 edition, Joint Publishing Co., pp 241-255.
11. *Selected Philosophic Works of Plekhanov*, Vol 1, 1959 edition, Joint Publishing Co., pp 493-495.
12. Ibid., Vol 2, 1961 edition, Joint Publishing Co., p 311.
13. *Collected Works of Lenin*, Vol 38, p 229.
14. Ibid., Vol 32, p 84.
15. Ibid., Vol 38, p 395.

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[Article by Xu Zhuang 1776 8369 of the China Motion Picture Arts Research Center]

[Text]

I

As a prominent cinematic cultural phenomenon or as a cinematic economic and social phenomenon, American motion pictures have attracted more and more attention from people inside and outside China's motion picture circles. The enthusiasm stemming from this attention to "take a new look at Hollywood" also seems to be rising.

American motion pictures are both familiar and strange to the Chinese. The new attention paid to American motion pictures by Chinese cinematic and academic circles stems from the need to seek a frame of reference for the development of Chinese culture under the cultural open policy. It is also a result of the interest of Chinese moviegoers in the American cinematic tradition. The increased cinematic exchanges between China and the United States have somewhat increased this

attention, with the 1988 American motion picture festival in our country giving greater momentum to this trend. However, a more direct cause is the crisis facing the Chinese motion picture industry, which is trying ardently to explore the road of reform. In contrast to Chinese motion pictures, American films have enjoyed an enduring dominance in the world. This has made it an even more appealing frame of reference for Chinese motion pictures.

Motion pictures have captivated and intoxicated the world's moviegoers for nearly a century, making them laugh, cry, or feel angry. However, in the history of the world's motion pictures, for many countries the road has been rather arduous. There have always been cries of crisis because of economic depression and the resulting decline in the number of moviegoers. The American motion picture industry, however, is an exception. Despite its ups and downs, it has continued to possess the most abundant capital, the most gigantic modern industrial structure, and widest distribution network, and the strongest contingent of moviemakers. No other country in the world has dominated the world motion picture market as extensively and permanently as has the United States. For more than 20 years after World War I, in its first peak period, the American motion picture had between a 60 to 80 percent share of the world market. Even the serious worldwide economic depression did not stop its growth. Things took a slight turn in the 1950's. American film manufacturing and market declined quite significantly in this period as a result of the rise of the motion picture industry in other countries, the drastic increase in the cost of filmmaking in the United States, and the appearance of television. Since the late 1960's, however, it has entered its second peak period, with its market share in the West reaching 50 percent or more. At the box office, American films always rank among the top in the world. Revenues from American motion pictures have been running to billions of U.S. dollars per year (half of the revenues are from foreign markets), making the motion picture industry one of the most profitable industries in the United States.

From the beginning, motion pictures have been a very profitable entertainment commodity. American motion pictures have always stressed the entertainment commodity nature. Using its powerful worldwide marketing apparatus and protected by the expansionist policy of monopoly capital, the American motion picture industry is able to dump its commodities onto the world and quickly assume a strong competitive position. Many countries have tried to challenge this strong position in motion pictures. Even developed countries in Europe and America have been alarmed by the monopoly of U.S.-made films in their domestic markets. However, despite their efforts to compete with the United States, they have not been able to shake the dominant position enjoyed by American films. This situation also has a far-reaching impact on the production and marketing of Chinese-made films.

The history of Chinese motion pictures began with the showing of foreign films. French merchants brought films to show in China as early as 1896. They were followed by Englishmen, Spaniards, Italians, and Americans, who showed their films in Shanghai, Beijing, and other Chinese cities. At about this time, some Chinese also began to purchase foreign films and operate theaters. However, the Chinese market was soon controlled by American films. By 1937, according to initial statistics, more than 5,000 foreign films had been distributed in China. Of this, 652 films were shown in the first 28 years. Most of the foreign films were made in America. Since then, and until the liberation of the mainland in 1949, American-made films generally dominated the imported foreign films. In 1950, New China's central people's government specifically ordered the boycott of "poisonous American motion pictures." Shortly afterward, the Chinese People's Volunteers began to face the American troops on the battleground of Korea, and American films were completely banished from the Chinese screens. In the following several decades, only a few American films were publicly shown in China. This situation lasted until the adoption of the open policy, which brought about the resumption of the normal exchange of motion pictures between China and the United States. During these decades, the American motion picture tycoons did not forget China's huge motion picture market and sought to make a comeback. The nine new major filmmaking companies in the United States even agreed to take concerted action to further open the gates of the Chinese market.

Whether studying cinema at home or abroad, Chinese motion picture artists and filmmakers of the older generation use the American motion picture model of the early period. With the approach of the high tide of the anti-imperialist and democratic revolutionary struggle, progressive cinematic artists in China plunged themselves into China's salvation and emancipation. In ideological and in revolutionary stands, they separated themselves from American motion pictures. The pictures they produced were realistic and leftist with Chinese characteristics, and many of them were brilliant works. Thus, although they learned from the Americans, the Chinese filmmakers did not take the same road as the Americans. In their minds, American motion pictures had their negative side. However, Chinese filmmakers did learn the basic models and language from the Americans and, as a result, produced large numbers of coarse imitations. Despite its tremendous achievements, New China's motion picture industry continued the vulgar sociological trend of the leftist motion pictures, making the road of Chinese motion pictures extremely difficult and bumpy. Under the present new historical situation, the path pioneered by our predecessors is being tested. Fierce contention is going on between advocates for inheriting the traditional culture and those for developing a new cultural pattern. The transition into the new commodity economic order, in particular, has thrown

the Chinese motion picture industry into the whirlpool of agitation, bewilderment, and confusion, causing it to think and differentiate. From the angle of development, this is a rather good sign.

II

First of all, the problem has much to do with the movie viewers' losses. Of course, there are many reasons for this. A great number of motion pictures which are unpopular and which seemingly deviate from the traditional track have been criticized on two points. We can pay no attention to this kind of pressure which, if translated into economic terms, will become unbearable. There was a time when the artists and workers in the film industry were apparently free from worries over the economic returns on a film. However, the economic problems of the film industry have become an issue of survival. Therefore, people in the movie business think about making money, making "entertaining films," and boosting the status of an entertaining film, and about giving a film the "right name." By the same token, film theorists talk about film's nature, functions, and type (movie genre), and conclude that entertainment of the public is the original purpose and nature of motion pictures. Exploration of cinematic artistry or efforts to boost the practice and theories of cinematic artistry sometimes come up against censure. Undoubtedly, we should seek to solve these problems by changing the people's concepts. We can let American cinema serve as our teacher. To a great extent, our problems call for us to learn anew from the American cinema and indicate that, whether consciously or unconsciously, we are trying to find a way out for our own movie industry through the American cinema. The clear message of the American cinema is that movies are popular entertainment. The secret of the American cinematic preponderance seemingly lies in entertaining films. Accordingly, both theoretically and practically, we can see the whirlwind rise of making "entertaining films." Last year, film studios across the country, along with their directors, whether young or old, were all drawn into the whirlwind. Some people have expressed concern and others optimism over this. I am a reserved optimist. I believe that this whirlwind may disappear as suddenly as it came. The fact that more people are making entertaining films is helpful in expediting people's understanding of the law of motion pictures. A point the people may be missing, though, is how important it is going to be to the changing of Chinese cinema if China's film workers truly understand that cinema must seek to win an audience.

Naturally, we should not be indiscriminate in our efforts to learn and take lessons from American films. For example, when it comes to money, we should not expect to be equal to the American film industry in terms of financial and material resources and big production budgets. This is something we cannot possibly and will never learn. Neither should we expect to monopolize the world market as does the American cinema. Some have sneered at the film industry's efforts to enter the world

market, asking why Chinese films cannot compete with American and other foreign films in the world market. Some hold that China can make a successful foray into the world market as long as China knows how to make entertaining films. This shows their lack of understanding of the world's current film market. Chinese films have their foundation in the domestic market. China has the largest domestic market in the world, but its potential is unknown. I suspect that we are losing a large number of moviegoers due to the flawed film distribution system, thereby aggravating the economic difficulties facing our film industry. The bulk of the Chinese audience is in the rural areas, but the vast rural area of China is still poor and the cultural life of peasants empty. It is impractical, therefore, to compare the decline in the number of our nation's moviegoers with the situation in the United States and other developed nations.

However, on the issue of making entertaining films, we can do some studies on mainstream American films. First of all, we must clearly understand what the subject of our study is and what makes the type of "entertaining film" to which we refer. The American producers are very direct in simply calling films made for commercial purposes "commercial films," whereas we have "entertaining films," probably to emphasize the purpose of films as entertainment. Actually, they are the same thing. Some theorists have pointed out that making entertaining films is "for the purpose of making profits," which is the same as making commercial films, as they are called by the Americans. The producers who make commercial films are motivated by profits. In order to achieve a commercial purpose, they have to make their films more netertaining. Therefore, commercial films are also entertaining films; vice versa, entertaining films which gain great popularity must have commercial value and therefore can be called commercial films too. That is why the Americans never distinguish between commercial and entertaining films. The Chinese shy away from using the former term because of the poor reputation of commercial films. The U.S. film industry is a very complex combination. IT has made proud contributions to the world's film treasury. At the same time, as everybody knows, it has pushed the limits of commercial films in its attempt to gain themaximum profits and has made a large number of films that bring a bad name to commercial fionms. Will the category of the so-called "entertaining films" be free of such bad films?

Obviously, as a movie-making policy, the idea of producing films which are very entertaining and that of producing films for the sole purpose of entertainment are two different notions. The concept of a film as a cultural commodity and the concept of a movie made for commercial purposes (i.e., to make money) are not quite the same. It is important to draw a distinction between them, or else we will lost track of the character of modern Chinese films, which would be the same as promoting the American-type commercial films.

Some theorists who have been advocating entertaining films are well-intentioned. Their argument is that in the

first 30 years after the founding of our nation, films were made to serve politics. In the first decade of the new period, films were made to serve the arts. Both these ideas were wrong. From now on, theorists say, films should be made to serve the public as entertainment. Theorists regard film artists who raise the status of artistic films above others as having "artistic vanity." They want all films to be treated equally. They make such statements basically to emphasize the necessity and importance of entertaining films. Nevertheless, they also unscientifically deny the different levels of various films. It is true we should not consider something to be above other things as long as everything is needed by society. However, there is no denying that, as far as art is concerned, there is a difference between highbrow and lowbrow. It is regrettable that the term "pretentiousness" has been evoked to taunt the artists who have created such a glorious new period in China's film history in the past 10 years. How unfair it is, too! It is also not true that producers of entertaining films gain nothing while producers of artistic films gain both fame and wealth. Need I remind you readers that Spielberg, the fabled master of entertaining films in the United States, enjoys the world's third highest revenue among artists, writers, and athletes? Maybe this is not a good example since the situation abroad is quite different. However, it is worth mentioning that Spielberg did not become a master of mainstream American films because he disapproved of artisti cfilms, but rather, because he always looked to find the intersection points of the U.S. artistic films and mainstream films.

Some theorists hold that entertaining pictures qre more accurately called "purely recreational pictures." They hold that movies are nothing but something which creates "daydreams" based on the "principle of amusement" in oderer to satisfy people's desires to poke into other people's affairs, thirst for power, subconscious wish to take risks at a safe distance, and sensual pleasure, and that motion pictures do not play any role in social education. Some people notice only the strong entertainment characteristics of American films and intentionally or unintentionally overlook their social contents. In fact, the American people have never concealed the social effects of movies. Motion pictures have always been considered by the American people to be a way to publicize the prestige, spirit, and way of life of the United States, an effective tool to propagate the richness and freedom of the American "paradise," and a medium for unfolding political and social struggles. Viewers may sympathize with robbers and vilify policemen, but in the end there must be a "moral." Although goals and methods may be different, American motion pictures play a role in education and propaganda as much as do Chinese films. Perhaps we first learned to use movies to carry out moral and social education from the United States. A former U.S. ambassador and statesman once claimed that American movies are "metal box ambassadors" sent out by the U.S. Government. His remarks indeed have a profound meaning. A number of countries have considered American movies to be U.S. tools for aggression and

infiltration and have openly boycotted them. This was a fact following World War II. What I want to say is that an entertaining nature and social effects are not two uncompromising things. On the contrary, we can say that American movies are, to a certain extent, examples of the combination of an educational nature and social effects and also a combination of art and business.

Now let us return to the fundamental questions. What are motion pictures? What is the purpose of filming a movie? Certainly, motion pictures are a commercial product and a means to amuse the public. However, they are also a tool for education and a medium for publicity. In the final analysis, motion pictures are an art. This is an old topic, but it is still worth reiterating today. Film as an art form does not merely depend on the literary art of the script. Motion pictures were not eliminated following the emergence of television. On the contrary, television has expanded the channels for the dissemination of a movie. If we say that the role of amusing the public is played by movies, then we can also say that the role of appreciating beauty and understanding things is also played by movies. It is necessary that we strengthen the recreational nature of China's movies. We should produce more high quality, versatile, and entertaining pictures, but amusement should not be the sole purpose. Naturally, we also must not consider business to be the sole purpose of producing movies. China's movies should give full play to their role of enriching and purifying people's minds, stimulating people's vitality, and helping people understand the world and themselves in an indirect manner. This is a common task of movies, both those for amusement and those for artistic purposes.

III

It is quite necessary to understand anew American motion pictures in the light of producing Chinese movies. At least the following aspects are worth serious study. We may gain enlightenment from them.

1. American Movies' Traditional Factor of Stability and Their Change and Reform

American movies have the factor of super stability because they pay attention to the viewers. Taking this as the core, they have their own principle of creation, norms, and system of aesthetics. Those things constitute the traditional stability of American movies. Movie theorist Ba Zan is convinced that Hollywood's movies have "all the special characteristics of classic art." In the United States, movie artists who have adapted their thinking to European traditional art have from the beginning used stories to depict works by Shakespeare and Dickens. When they use movies to "tell stories," people rush to the box office. They create a feeling of truth between the theater and nature and present realism through cinematography and editing. They add romantic ideals to movies. From the sociological point of view, they present the power of passion and artistic appeal

above class and nationalities. Their movies are clear-cut and easy to understand. Hollywood's movies often project a feeling of satisfaction and comfort, for they offer the desirable ending to the "American dream."

However, the early pattern of American movies was not absolutely immutable as some critics charged. In the late 1960's, more and more reform-minded people criticized American movies as spurious, conservative, escapist, shallow, and vulgar. Hollywood itself was also in crisis. This forced Hollywood to reform. Hollywood breathed the fresh air coming from Europe and absorbed such new, refreshing artistic elements as Italy's new realism and France's avant-garde. These, plus the combined influence of Broadway's pioneering School of Drama and New York's Documentary School, gave directors new ideas. They began to explore new camera language and techniques to depict characters and their inner thoughts. Following the reevaluation of American history and Hollywood culture, especially after the soul searching over the Vietnam war, views in society became even more critical. Breaking from the movie production regulations and censorship system imposed by the government and society, the American cinema began to enjoy unprecedented freedom. At the same time, American moviegoers also changed. They no longer went to the movies solely to seek sensual enjoyment and excitement. As a result, American-style artistic films, the new American cinema, and "underground films" emerged. The old Hollywood was transformed and the American cinema entered its second peak period.

Taking moviegoers seriously should, undoubtedly, be a principle that will help stabilize our film industry. Chinese films have learned how to tell a story, and our entertainment films today must be especially good at this. Chinese films must adapt to the ever-changing tastes of moviegoers and advance with the times.

2. The American Cinema Became Great Because It Absorbed Ideas and Recruited Talent Extensively

American films were at first nothing but acrobatics. In the process of entering the realm of art, masters such as David Griffith, who is called the Father of the American Cinema, Eisenstein, and the succeeding generations of outstanding people have made great contributions to developing cinematic arts. Motion pictures depend on moviegoers for their very existence. Generally speaking, however, all positive doctrines, schools, and trends of thought, and all philosophers, aestheticians, psychologists, and sociologists who have "dipped into" cinematic arts, even if what they have done consists of merely holding theoretical discussions, have carried out either directly or indirectly the experiments, study, and demonstration indispensable for the growth and attainment of the maturity of motion pictures. Without their work, the American cinema would not be able to advance. This kind of work is also indispensable for the Chinese cinema. The rise of the American cinema, in addition to its own strong points, apparently had a lot to do with the

absorption of talent and artistic ideas from Europe in the 1920's. The United States opened its door to talent the world over. Among the famous actors who went to the United States were Greta Garbo (Sweden), Ingrid Bergman (Sweden), and Charles Chaplin (Britain), while directors included Alfred Hitchcock (Britain), Ernst Lubitsch (German), Laurence Olivier (Britain), and Roman Polanski (Poland). Many of them were hired at great expense, but they all made contributions to the American cinema. Younger Hollywood directors including Francis Ford Coppola, Martin Scorsese, Stanley Kubrick, George Lucas, Arthur Penn, Steven Spielberg, and Woody Allen, or the "Hollywood kids," are as knowledgeable about the history of the American cinema as scholars. Compared with their predecessors, they have learned more from the European masters who are known for their unique personal styles. As a result of this "distant hybridization," the American cinema has gained new advantages and vitality. (See Wang Chunying's "Hollywood in Transition" for further information.)

Certainly, it is impossible for us to recruit talent from all over the world. However, we need a good policy and a social mechanism that make it possible for us to choose and cultivate the talented from among the one billion Chinese people—a policy and mechanism that allows them to bring their talents into play.

3. The Genre Film—a Brilliant Creation of Hollywood

Genre movies are a general term for movies of a variety of styles and patterns produced in concert with various subject matters, standards, and techniques. They make up the bulk of American entertainment movies. Genre movies came into being as a result of film arts adapting to people's diverse intellectual needs and psychological patterns. They are a product of the intensification of life as depicted on the screen, sophisticated production techniques, and standardization of movie production. In an effort to constantly improve techniques and craftsmanship and to cut costs, they even adopted the assembly line production method. These genre movies include westerns, gangster movies, detective stories, horror films, disaster films, musicals, comedies, science fiction, and war movies. Hollywood people care most about the unison between filmmakers and moviegoers. They try by every means to study the moviegoers' psychology and do all they can to arouse viewers' interest and make them identify with what they see on the screen. As far as professionalism in this regard is concerned and the experience they have accumulated in cinematic arts, they rank first in the world. These movies have intriguing plots, bizarre and beautiful scenes, fast tempos, good action, and countless thrills, suspense, and comic episodes. They all have the indispensable male and female leads who are handsome, charming, attractive, strong, and the embodiment of morals and wisdom. This sets the stage for Hollywood's star system. Hollywood's stars,

in addition to being the "money trees" created by investors to make money, are also idols who capture the moviegoers' hearts and drive them crazy.

In making entertaining movies, we have a lot to learn from American genre movies. We should not mechanically copy all their patterns. Instead, we should "study their forms, the idea of using and mixing up the elements of genre movies, the points of interest of the various genres, as well as their psychological and sociological foundations." (Hao Jian and Yang Yong: "Genre Movies and the Patterns of Mass Psychology") There are also different grades of genre movies. If we shamelessly produce low grade movies for the purpose of making quick profits, then we will never be able to produce a good movie that moviegoers love.

Motion pictures are the product of modern technology and industry. They depend, more than any other art form, on technology and material strength for their development and prosperity. Especially since the emergence of television, the American cinema has paid greater attention to utilizing its advantages in these areas. Over the past 20 years, the American film industry has undergone rapid changes. Movie companies have become more stable financially since merging with large corporations. In the early 1960's, the capital of movies and television began to merge. At least half the annual income of motion picture companies is from television now. This cooperation has helped boost the film industry as well as television. On average, television stations pay \$500,000 to buy the rights to televise a movie. The broadcast rights to some choice films are sold for as high as \$2-10 million. Consequently, motion pictures and television, the two visual arts with the same origin, have been able to develop in coordination. The capitalists are able to do this. It is a pity that at present we are unable to do what the capitalists are capable of doing. If we do not break away from the present level of technology and economic support, then it will be difficult for us to produce more worthy movies. It seems that in the future our film industry needs to introduce a double track system that would work like this: Produce both low budget and large-scale films. On one hand, we should produce original, exquisite, small, low-budget films that explore life, have an aesthetic appeal, and are entertaining. On the other hand, we should, with the guarantee of ample human and material support and high technology, undertake sweeping, big projects. For quite some time to come, however, the former will probably be the road we are going to follow.

Inflation in Western Countries and How To Deal With It

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[Text] Since World War II, inflation has been a constant economic problem for Western countries. Stabilizing prices, economic growth, full employment, and balance

in foreign trade have become the four major economic goals for these nations in the postwar period. Since "stagflation" appeared in the West's economy in the 1970's, Western nations have given first priority in their economic policies to controlling inflation. At present, inflation has basically been put under control by the Western nations. Studying the development and root causes of inflation as well as the means for controlling it in the Western nations is of certain reference value to China in its effort to control inflation.

I

Inflation is an economic phenomenon in which prices rise because of a declining currency value, caused by excessive money supply and an overabundance of money in circulation. Western nations generally use the consumer price index as an indicator of inflation. Consumer price rises have in fact become a synonym for inflation.

Inflation is not a rare phenomenon in world economic history. In the several hundred years since the Middle Ages that metallic money has been used, inflation has time and again appeared in the capitalist nations. However, inflation was only an intermittent phenomenon in the past. Continuous price rises for 6 consecutive years were extremely rare. Since after World War II, inflation gradually worsened in Western nations and its seriousness, universality, and duration are all unprecedented. The special characteristics of inflation before the late 1970's were:

1. Inflation was widespread in almost all nations. From 1950 to 1979, the world consumer price index rose 430 percent, averaging 5.9 percent annually. During that period, consumer prices in the United States rose 200 percent; in France, Japan, and Italy, they rose nearly 500 percent; in Britain, over 500 percent; and in the Federal Republic of Germany, 140 percent.

2. Inflation never completely died away. Only in the early 1960's did consumer prices drop for a while in a few individual nations. But since the beginning of the 1970's, consumer prices have never dropped in any nation.

3. Inflation has gone from bad to worse. Although inflation rises and falls with the economic cycle, a new peak is often higher and a new ebb often lower than their predecessors. The time from 1950 to 1979 may be divided into two periods: one from 1950 to 1968, and the other from 1968-1979. Inflation in the second period was obviously higher than in the first. From 1950 to 1968, consumer prices rose 45 percent in the United States, 48 percent in the FRG, and 129 percent in Japan. Their average annual inflation were respectively 2.1, 2.2, and 4.7 percent. Inflation during this period was generally moderate. From 1968 to 1979, the consumer price index in the United States, the FRG, and Japan rose 109,

64, and 148 percent respectively, averaging a respective 6.9, 4.6, and 8.6 percent annually. Some nations even had double-digit annual inflation.

4. Particularly noteworthy was the fact that since the late 1960's, inflation has not been matched by declining unemployment. Prior to that period, inflation and declining unemployment were generally reciprocal to each other. That is to say, there is an inversely proportional relationship between inflation and unemployment. When inflation rose, unemployment went down; and vice versa. This inversely proportional relationship was discovered by the British economist, A.W. Phillips, while studying the mutual relationship between Britain's unemployment from 1861 to 1957 and the rate of change in wages. A curve describing this inverse proportion relationship is called the Phillips Curve. Later, by replacing the rate of change for wages with the rate of inflation, western economists discovered that the Phillips Curve effect also applies to the relationship between inflation and unemployment. This effect continued to exist in some western nations till the 1960's. However, since the late 1960's, this effect gradually disappeared. In its place, a new phenomenon has appeared in which high inflation coexists with high unemployment, which is known as "stagflation" in the West.

Faced with such a severe situation, Western countries have, beginning in the late 1970s, treated inflation as "enemy number one," and "declared war" against it. After many years of effort, inflation was greatly reduced. Between 1975-1984, the average annual price increase for consumer goods in member countries of the Organization for Economic Cooperation and Development had been 8.5 percent. The rate fell to 3.2 percent in 1987 and was a mere 0.2 percent in the FRG. The rate was also brought down in Japan, the Netherlands, and Luxembourg. The spiral of inflation in Western countries, which had been rising over several decades, was now basically under control.

II

Beginning in the 1930s, one Western country after another discarded the gold standard and adopted a paper money currency. This practice freed them from the restrictions of the limited supply of precious metals, but also laid the groundwork for inflation which plagued Western countries long after the war. Of course, many economic and political factors also contributed to the emergence and development of inflation.

First and foremost: In the first 20 years after the war, most Western countries made the promotion of economic growth, full employment, and avoidance of a repeat of the tragedy of the 1930s' great depression as their major economic targets. Therefore, the general tendency of budget and fiscal policy tended to be expansive. They greatly increased government spending to stimulate consumption and investment. Very often social demand exceeded what the social productive

forces could provide. For political reasons, quite often the increased government spending could not be completely covered by tax increases or public borrowing. To a large degree, the government had to resort to printing more money to pay for its spending. This loose fiscal policy, on the other hand, provided the government with the opportunity to practice a deficit financial policy. In theory, during a period of economic recession, because of massive unemployment and idle labor, antirecession measures such as increased government spending should have the desired effect of raising production and increasing employment opportunities without leading to higher prices. However, because of a relatively short recession after the war and the existence of a time lag in antirecession measures (about 6 to 9 months), the measure, in a large degree, did not produce the desired effects of raising production and increasing jobs but stimulated prices instead. Because of the reason stated above and because of changes in structural factors, when the recession came, the government was forced to increase the antirecession doses in order to increase production and lower unemployment. From the end of the war to the early 1970s, intensive economic growth was invariably accompanied in the West by worsening inflation. Even when the economy slowed down, inflation kept spiraling.

Second, monopolies in general along with state monopolies enjoyed substantial development after the war. Monopoly weakens the flexibility of commodity prices. The strengthening monopolies helped shape chronically inflated prices. This was the major reason why prices did not decline, despite the postwar Western recessions. Price supports and official regulatory measures on some public undertakings and enterprises not only increased government spending, but also raised costs, lowered efficiency, and weakened competitiveness. Although the hardening of prices as a result of the trend toward monopolies was not the major reason for inflation, it worked against the effectiveness of antiinflationary measures and played an important role in the worsening of inflation.

Third, after the war, political and economic conditions were more favorable for workers striving for better salaries and standards of living. Under certain circumstances, excessive increases in wages and other costs can lead to increased inflation. If production efficiency keeps pace with or even exceeds wage increases, increased wage costs may not affect an enterprise's profits and are unlikely to lead to higher product prices. However, if wage increases outstrip efficiency, then the cost increase might result in higher prices. Of course, when the currency supply is constantly increased, then the increase in wage costs would eventually contribute to the greater inflation. Otherwise, increased unemployment is more likely. Therefore, increased costs of wages are the second factor leading to inflation.

Lastly, the interdependence of the world economy deepens and accelerates the inflation chain reaction. The international currency and international trading structure established after the war have adapted to the needs

of the global economy. In addition to promoting trade among different countries, it also increases their mutual influence. A country's commodity prices become a constituent part of international commodity prices. Domestic prices are more prone to be influenced by foreign prices. Nations are more likely to "import inflation" through fluctuating currency exchange rates. These are important reasons why inflation has a broader meaning to Western countries since the war.

The reasons stated above, as well as other recently emerging factors, contributed to Western "stagflation" in the 1970s, marked by high inflation and high unemployment. For example: 1) To shake off the 1973-1975 crisis, Western countries greatly increased government spending and financial deficits; 2) Two sharp rises in the price of crude oil raised the costs of raw materials everywhere; 3) Government's increased interference in the problem of safe production and environmental protection increased costs in those areas; 4) Because of such structural factors as changes in the labor forces (more female workers, child laborers, and colored workers), unemployment increased correspondingly, which illustrates the problem inflation and unemployment alternating with each other; 5) The general lowering of production efficiency raises the cost of wages; 6) Prolonged high inflation induces people to speed up their purchasing, thus helping to drive up prices. 7) The dissolution of the Bretton Woods currency system and the universal implementation of floating currency exchange rates helped drive up prices.

Generally speaking, the prolonged inflation since the war was basically caused by the excessive money supply. Two other factors, excessive demand, and periodically excessive costs, also contributed. Western economists summarize these two factors as "the pull of demand" and "the driving force of cost." These two factors contributed to the worsening of inflation in the 1970s, and the rise in crude oil prices particularly contributed to the changes in cost factors. Thus, the universality of inflation and its harm to the world economy was more evident.

III

Before the early 1970s, Western countries, while giving priority to reducing unemployment, frequently tried to deal with inflation. In fighting unemployment or inflation, they mainly adopted the policy of loosening or tightening budgets and money supplies, budgets in particular, to control demand. The result was alternating unemployment and inflation. In the 1960s and early 1970s, Britain, the United States, and other countries adopted wage and price controls to simultaneously deal with demand and costs. In the beginning these produced some results but eventually failed. The coexistence of high unemployment with high inflation in the 1970s meant the failure of the traditional means of fighting unemployment and inflation. Beginning with the end of the 1970s, Western countries were forced to change tack and make major readjustments in economic policy. In

the early 1980s, a set of measures to reverse the situation of the "two highs" took shape, particularly in regard to controlling inflation. These policies can be summarized in the following three areas: tightening of demand and control of the money supply, improving supplies of capital, labor, and raw materials, and reforming the product mix. Specifically, these policies are as follows:

1) Shift the principal economic goal from full employment to stable prices and controlling inflation, and promote budgetary and monetary policies with the emphasis on retrenchment. Even during the most serious postwar economic crisis from 1980 to 1982, they never changed their retrenchment policy. Since the late 1970's, they have all regarded deficit reduction as an important goal in budgetary planning. With the exception of the United States and a few other nations, they have made considerable progress in reducing budget deficits. For instance, from 1983 to 1986, Japan's budget deficit dropped from 3.7 percent of GNP to 1.1 percent and that of the FRG went from 3.3 percent to 1.2 percent. France and Britain also made considerable progress in reducing budget deficits. In recent years, the U.S. budget deficits have grown rapidly, but the deficit's proportion of GNP has changed very little. The United States has also implemented a relatively strict monetary policy to offset the impact of budget deficits.

2) Shift from emphasis on budgetary means to stressing both budgetary and monetary means. Since the middle 1970's, governments in various nations have begun to set targets for total money growth in order to control money supply and make the growth rate of money approximate that of production. The general trend is toward strict control of money supply. For instance, in 1988 the U.S. official target was 4-8 percent; 3-6 percent in the FRG; 1-5 percent in Britain; and 4-6 percent in France. Japan was the only exception at 12 percent, but Japan's rate of growth was also higher. The actual increases of money supply also approached the official targets.

3) Shift from mainly relying on controlling demand to also stressing controls over supply. The United States and other nations have basically relied on lowering income taxes, stimulating saving and investment, and raising the enthusiasm of suppliers of the main production elements to improve supplies of labor, capital, and raw and processed materials. In other words: Solve the contradictions between supply and demand by improving production capability. The supply-side economic policy emphasizes the future in order to correct the traditional economic policy's nearsightedness.

4) Carry out privatization, abolish the government's regulatory role in some enterprises, strive to introduce the mechanism of competition into former state enterprises and enterprises under state control, promote rational distribution of resources, raise enterprise efficiency, and give certain enterprises the power to flexibly lower prices of their products or services. By doing so, the government can reduce its financial burden, increase

revenue, and reduce budget deficits. Britain was the first to privatize enterprises. Now enterprise privatization has swept nearly all Western nations. The United States and some other nations have also abolished all or part government control over highway, railway, air transportation, communications, banking, and finance. Currently, strengthening the market mechanism has become an important trend in Western economic policies.

5) Streamline production structure to save labor, capital, and raw and other materials and cut down production costs. Improve the energy structure and promote energy conservation to reduce industrial consumption. When compared with 1973, the energy consumption for every U.S. dollar of output in the GNP dropped 22 percent in 1983; the 1984 decrease in Japan was 39.5 percent. Declining oil prices, resulting from the West's reduced energy demands, is an important factor contributing to the markedly reduced inflation rates in these nations.

6) Greatly increase research and development expenditure to promote scientific and technological progress. While developing high technological industries, this also renovates traditional industries and achieves considerable results. In recent years, labor productivity in Western enterprises has improved considerably over that of the 1970's. For example, the annual rate of improvement of labor productivity in U.S. enterprises except those in the agricultural sector has increased from 0.5 percent in the 1973-1982 period to 1.8 percent in 1983-1987. Labor productivity in the traditional industries has improved at an even higher rate. Labor costs have greatly reduced. Labor cost per unit of production has dropped from 8.4 percent in 1973-1982 to 2 percent in 1983-1987.

Of course, there are also objective factors, such as declining raw material and petroleum prices which have contributed to the Western nations' declining inflation rates. The threat of inflation remains and combating inflation is still a formidable task for these nations, but it is quite obvious that readjustments to their economic policies have played a vital role in controlling inflation over the past several years.

IV

After World War II, inflation has been not only an issue of economic policy attracting the attention of Western governments, but also a subject of theoretical study by Western economists. Over a long period of time, there have existed many different views on the issue of inflation among Western economists, especially between Keynesian economists and monetarist economists.

1. Advantages and Disadvantages of Inflation

Even now, there are those who believe that by resorting to inflation and issuing more currency and increasing credit, we may increase sales and invigorate the market, thus increasing employment and production. This is true when many people are unemployed and factories are

idle. If we do not take the risk of inflation, we must accept depression and unemployment. We must choose one of the two, they point out.

However, some other people believe: Within a short period, inflation is indeed effective in stimulating trade, employment and production. However, from a long-term point of view, it will disrupt trade, affect employment and undermine production, because in the early stage of inflation people may increase their purchases when they have more money on hand, thus expanding sales and raising prices. At the same time, the rate of price increase may be higher than the rate of cost increase. Capitalists will thus make extra profit. When they make extra profit, they are willing to increase investment, hire more workers and raise production. However, after a while and people generally realize that inflation is developing, that is, when the expected psychological impact of inflation takes effect, the various suppliers of the essential factors of production—workers, money-lenders and raw material producers—will demand readjustments in their compensation. When the river rises, the boat goes up. Wages, interest and the prices of raw materials and semi-finished products will also go up, thus creating a situation where production costs and sale prices go up together or in turns. As a result, the role of inflation in stimulating investment, employment and production no longer exists. Also, when inflation continues, it will be hard for enterprises to estimate prices, production costs, profits and the business future. They will hesitate to invest. The number of unemployed workers and idle factories differ greatly among the various localities and seasons. The use of inflation to stimulate production and employment will inevitably cause serious shortages of certain types of workers and materials in certain departments, regions and seasons, creating a bottleneck phenomenon and serious imbalances. In addition, inflation will also discourage savings, encourage speculation, unreasonably redistribute income and wealth, and aggravate social instability. As for the “myth of the Phillips Curve” of replacing unemployment with inflation, it has already been laid bare by the facts.

2. Resources for Economic Instability

Some believe that due to people's unwillingness to increase investment and consumption and the greed of capitalists and workers for more profit and higher wages, depression and inflation are economically inherent. The great depression of the 1930's was created by private capitalists who cut back investments on a large scale and by consumers who reduced purchases of durable goods on a large scale. The inflation after World War II was caused by private enterprises which sought staggering profit and workers who demanded excessively high wages.

However, some disagree with this concept. They believe that economic instability is caused by government policies. The acute reduction of the currency in circulation by the central bank between 1929 and 1933 was the

“direct cause” of the Great Depression. Post-war inflation was the result of actions taken by the governments of various countries in issuing more currency—a “covert” and easy method of taxation and fund-raising. Governments could not blame entrepreneurs, businessmen and workers for their “greed.” Therefore, they said that the theory of “cost-push inflation” is untenable.

3. On How To Deal With Inflation

The first group of people cited in the previous paragraph observe the source of economic instability on the basis of objective reality. They believe that government should make use of its budget and monetary authority to close the gap created by the changes between supply and demand. It must act as circumstances dictate and take actions according to the situation. They disagree with the firm adherence to the creed of the classic economists that budgets should be balanced at all times and that the money supply should increase or decrease according to the market demand. They point out that tax revenue will naturally decrease in time of depression, and naturally increase in during a boom. If budgets are to be balanced at all times, tax increases will be inevitable during depression, while taxes will be reduced in times of prosperity. All this will aggravate the contradiction between supply and demand and increase economic instability. To increase the money supply during a boom and reduce it during a depression would have a similar negative impact.

The other group of people mentioned above hold that the government should not do too much to intervene in the economy, on the basis of their understanding that economic instability is due to government policies. In their opinion, because of the unpredictability of economic changes and the varying requirements of different interest groups, the government's ability to forecast the economy and to take action based on this forecast is very limited. To avoid the instability due to erroneous policies, the government should formulate and enforce a stable policy for controlling inflation instead of acting as the occasion demands. In the main, the so-called stable “rule” means that a relatively stable long-range growth rate should be set for the supply of currency. These people also say that currency rather than budget should be stressed as a means for economic management and that long-term needs should be emphasized rather than immediate interests.

The different opinions and propositions on the question of inflation mentioned above have had profound influence over the years on policy formulation by Western governments. Generally speaking, the former opinion [Keynesian economics] played a dominant role in government policy before the mid-1970's. Afterward, however, the latter philosophy's influence gradually increased.

V

With regard to the control of inflation, some of the experiences of Western countries and the opinions and propositions of Western economists can be used by us for reference. Based on the experiences of Western countries and in the light of the actual situation in our country, I have the following understanding and opinion—though they may be immature—on how to control inflation.

In our country, the rate of inflation has reached a relatively high level. This epitomizes the economic instability that has appeared in our country. The decision made by the central authorities that the focus of the 1989 and 1990 economic work should be the improvement of the economic environment and the rectification of the economic order was quite timely. As long as all units from the top down make concerted efforts and take resolute actions, it is quite possible to control inflation at a level that our economy and society can endure. But if we are to succeed in effectively controlling inflation for a long time to come, we must establish a set of integrated policies and systems.

First, it appears that we should reaffirm our concept of economic construction. Even today, we pay more attention to speed than benefits in dealing with economic results. We have a lot of bitter experience as a result of unduly seeking speed, yet we still lack a full understanding of the harmful effect of doing so. In formulating plans and making arrangements for construction projects, we should at least attach equal importance to benefits and speed so as to really achieve stable economic growth. As far as economic and social benefits [she hui xiao yi 4357 2585 2400 4135] are concerned, those with a low economic growth rate often overtake those with a quickly growing economy, and there is no lack of such examples in the world. In the absence of a perfect price system and a sound market development mechanism, China is not so sensitive to the impact of inflation. In view of this, we should be all the more vigilant against it.

Second, we should speed up reform of the monetary and financial systems. The main cause of China's inflation is that demand has outstripped supply, which was the result of expanding the central government's financial deficits and the credit of banks. To curb inflation, it is necessary to trim capital investment and strike a financial and credit balance in order to solve supply-demand problems. However, inflation, in the final analysis, is a monetary problem. Therefore, we should pay greater attention to the role of our monetary policy in curbing inflation. In other words, we should establish a sound monetary policy. In the West, monetary policy is implemented in a particularly cautious manner in countries with low inflation and during a low-inflation period. We should create favorable conditions as soon as possible so that we can use the monetary supply, credit markets, and interest rates as a means to regulate currency and credit

circulation; put to an end the fund supply system where enterprises ask local banks for funds when they are short of capital with the banks then going to their headquarters when they run out of funds; and do away with the practice of banks issuing excessive currency under financial and credit pressure resulting from loans and overdrafts for enterprises running at a loss. Otherwise it will be very difficult to effectively control inflation for an extended period. Currently, banks in China are actually losing interest in providing loans to enterprises. They subsidize enterprises by providing loans to them. The more loans they provide, the more subsidy they give. Under such circumstances, who in the world would be unwilling to ask for more loans and make more investments, and who would try to make the best use of available funds? We should gradually establish financial markets and then strive to improve them in order to attract enterprises in need of funds, as well as enterprises and individuals with idle funds. We should try our best to use the supply-demand relationship of credit markets and the lever of interest to regulate fund circulation in order to gradually change the fund circulation system, which is based mainly on fund transfer and allocation, and to reduce the pressure on banks and consumer markets. The central bank should be relatively independent to a certain extent, and be directly responsible for maintaining financial stability. It should put money supply and credit under strict control in order to make them beneficial to production work and ensure effective supply and not contribute to inflation and higher prices. In China, ensuring steady and healthy economic development through the use of appropriate monetary and credit policies by the central bank is an important issue that requires serious study and needs to be solved properly.

Third, owing to the limitations of our economic structure and the level of our economical development, we must integrate the monetary and financial reform with other reforms to make it work. First of all, enterprises must be reformed to become economic entities which can take full responsibility for their own profits and losses, raise their own funds, and manage themselves. To this end, we must change the ownership of enterprises' by implementing a share-holding system. Secondly, we must carry out a well-coordinated reform of the pricing system so as to truly introduce market and competitive mechanisms into enterprises. Only in this way can we raise the efficiency of enterprises and establish more reasonable relations between pricing levels and their comparison. Lastly, we must also reform the industrial structure by raising industry's technological level and promoting its intensive development as soon as we can, so as to rapidly raise labor productivity, reduce production costs, and increase the competitiveness of our products in the international market. These are all fundamental measures aimed at curbing inflation on a long-term basis.

Fourth, we must pay attention to the pressure of inflation created in the course of our opening up. At present, we should focus on tackling two problems: One is the

impact of inflation brought to the interior by the coastal area, as wages and prices in the coastal area are higher than in the interior, yet personnel and commodities can move freely. The practice of high prices in the coastal area is bringing up prices in the surrounding provinces and cities and the trend is gradually moving toward the interior. The imbalance between the coastal area and the interior in other aspects also worsens. Undoubtedly this will affect the entire economy and therefore warrants our earliest attention. The other is the problem of "import inflation." As renminbi still cannot be exchanged freely for foreign currency, the impact of inflation caused by fluctuations in exchange rate is not too serious. However, some of our exported products which earned low rates of foreign exchange have actually depreciated the renminbi's value abroad. The losses have been subsidized by the state. The more these products are exported, the greater the losses will be and the greater the state has to subsidize. The export of many of these products even causes some strain in the domestic market. All these are going to deter our efforts to stabilize domestic prices. We should further improve the lineup of export commodities by exporting more of the competitive products and products with a high exchange earning rate, and reduce or stop export of the less competitive products, products which earn only low rates of foreign exchange, or are in short supply in the domestic market. As we further open up, there are bound to be more problems with "import inflation." How to solve this sort of problem should be an important part of our opening up policy.

Freedom: The Leading Principle of Socialist Democracy—Discussion With Comrade Qin Xiaoying

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in Chinese No 3, 1 Feb 89 pp 40-41

[Article by Li Jiancheng 2621 1696 2052; Author's work unit: Editorial Department of GAOJIAO YU JINGJI Higher Education And Economics 7559 2403 5280 4842 3444 by the Zhejiang Engineering College]

[Text] In his article "Socialist Democracy Should Also Include the 'Minority Principle'" published in the 1988 issue number 8 of QIUSHI, Qin Xiaoying [4440 2556 7751] raised the question whether "under the prerequisite that the majority is guaranteed to exercise the right of the majority, it is necessary to permit the minority to exercise its right to express, reserve, and persist in its own viewpoints and thinking." In my view, this indeed is an important question of principle in the building of socialist democratic politics. However, to generalize this as the "minority principle" and to place it on a par with the majority principle is something that calls for discussions.

The majority principle of democracy refers to a "decision by the majority" and "ruling by the majority." This is customarily described by us as "the minority is subordinate to the majority." In other words, all issues concerning the interests of the public are dealt with in

accordance with the opinion of the majority. If the "minority principle" is advocated, people are likely to mistakenly interpret this as to mean advocacy of "decision by the minority" and doing things in accordance with the idea of the minority. People would think it logical to interpret the "minority principle" as opposite to the majority principle.

Strictly speaking, the practice of the majority principle contains not the slightest implication to negate "the right of the minority to express, reserve, and persist in its own viewpoints and thinking." First, the purpose to practice the majority principle in the sense of modern democratic politics is nothing more than to ask people to act in accordance with the wish of the majority. This is only a norm restricting people's actions and not their thinking. It does not have a restraining power over people's freedom of will. Take the regulation that "all vehicles must travel on the right side of the road," for instance. A minority of the people may take exception to this, but even so, they still have to abide by the regulation. In this case, it would be superfluous if we still wanted to write a regulation stating that anyone holding a different view than this is entitled to reserve his viewpoint. Of course, if we do not allow other people to hold a different view simply because there is not a specific regulation permitting this, then I'm afraid this could not be considered simply as a question of showing "a lack of self-awareness" with regard to the opinions of the minority when practicing the majority principle.

Second, "to permit the minority to exercise the right to express, reserve, and persist in their viewpoints and thinking" can by no means be regarded as the "minority principle" which should be practiced while implementing the majority principle at the same time. What is referred to here is, in essence, the right of every person to develop his own character, persist in his own thinking, and make his own speech. We can call this the "character principle" and "freedom principle," whose meaning cannot possibly be covered by the "minority principle," because it is a norm that is on an even higher plane than the majority principle. Without personal freedom of will and freedom of speech, we can't begin to talk about the will of "the majority" and it would be impossible to reach "the decision of the majority." Of course, there is another meaning to the majority principle and decision by the majority. It means that the people are the ultimate force determining history. This theory of decision of historical materialism obviously has nothing in common with the majority principle of modern democratic politics.

A look at the history of development of socialist democracy in China shows that it was not what Comrade Qin Xiaoying would like to believe, that there was "a lack of self-awareness" of the "principle of minority" while the principle of majority was being applied. For years, there was a lack of recognition for or even negation of free will, freedom of speech, and other principles. Therefore, the

efforts to implement the democratic principle of majority had to be discounted. Of course, it would also be a mistake if we conclude at this point that the only problem with our democratic system is the lack of the principle of majority. What we lack most is the much-needed understanding of the essential premises for implementing the principle of majority. It followed that for quite some time, worse still during the 10 years of turmoil in particular, "unified thinking" almost came to mean that people should not have their own views and thoughts. Several years ago, textbooks for use in the study of law still contained passages like, acting on Comrade Mao Zedong's directive, the National People's Congress has done this or that, and so on. How can one call this a "lack of self-awareness" of the implementation the "principle of minority"?

"Freedom" is nothing new, nor is it the monopoly of the bourgeoisie. Our Constitution also asserts the citizens' political, ideological, and cultural rights, such as the rights of making speeches, publishing, holding meetings, forming associations, staging marches and demonstrations as well as holding religious beliefs. We unquestionably consider these rights as demonstrating socialist democracy and freedom. However, we almost never had any systematic, comprehensive, detailed, and unrestrained discussion, interpretation, and propaganda of these basic freedoms and rights, and, for years, did not have corresponding legal means and effective system to guarantee these freedoms and rights. Naturally, without an extensive and full freedom, it is impossible to truly implement the principle of majority, or to produce laws that will fully guarantee the implementation of the principle of majority to its fullest. I think the first step to develop socialist democratic politics is to implement the principle of freedom, rather than the principle of majority, first. This is because freedom has always been the starting point of democracy, whether we look at it from the historical or the logical angle.

As a complete political system, democracy encompasses two aspects; democracy (decision by the majority) and freedom (personal freedom). We are used to regarding letting the people speak up and air their views as developing democracy. This shows that most people regard democracy as meaning "freedom." But it is strange that at one time democracy and freedom act as a pair of inseparable twins, while at other time, they are dead set against each other. We have said much about the dialectical relationships between democracy and the legal system, between democracy and centralism, between democracy and dictatorship, and between freedom and discipline. However it seems that other than the restrictions imposed by the prerequisites of the dividing lines of classes, we have not shown interest in nor have we conducted research on the relationship between freedom and democracy. I think freedom and democracy are the two levels in democratic politics, the former having more profound, extensive, and fundamental significance than the latter. The principle of freedom should be regarded the highest principle of

socialist democracy. As mentioned above, freedom is the starting point of democracy. The "majority" can be formed only through extensive, full, and free discussions (freedom of speech, thoughts, and criticism), and only then can we implement true democracy; that is, the decision by the majority. On the other hand, freedom is the goal and destination of democracy. The people act according to the decision of the majority so as to guarantee the people's maximum freedom in social life. Developing a highly developed political democracy is one of our specific objectives in building socialism. But in the ultimate sense of social and human progress, highly developed democratic politics are nothing but a means to guarantee the realization of an all-round and free development of mankind. Being the master of one's own affairs is not solely for the sake of being the master only.

Biography That Arouses Deep Thought—After Reading 'An Interview With Liang Shuming'
OW1702202489 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 3, 1 Feb 89 pp 42-43

[Article by Lu Rongchun 7120 2837 2797]

[Text] As a famous scholar at home and abroad, and a nonparty figure who maintained rather close relations with the CPC, Mr Liang Shuming can be considered a person representative of modern China. In recent years, people's interest has increased in this upright, independent-minded and truth-seeking figure, who lived through many changes during his lifetime. Comrade Wang Donglin's "An Interview With Liang Shuming," (published by the Hunan People's Publishing House) manages to satisfy the interest of many people, and fills a gap in the annals on figures in contemporary China.

I was born too late to meet Mr Liang Shuming, but after I finished reading "An Interview With Liang Shuming" I was able to envision a clear picture of a thinker with myriad ideas. There are good reasons why Mr Fei Xiaotong called him "an outstanding thinker of our time" even though experience has shown that some of his academic ideas and his views on China's social problems and international affairs were found to be unworkable or wrong.

"Fond of thinking" is a good way to describe Mr Liang Shuming as he pursued his studies or examined human and social issues. He was not interested in dining, wine, or amusement, but always took his studies and examination of life and society seriously, not pausing for even a day. His works amount to several million characters, and include *East and West Cultures and Their Philosophies*, *A General Survey of Oriental Learning*, *The Essence of Chinese Culture*, *A Collection of Liang Shuming's Work on Education*, and *Will of the People and Life*, and fill many volumes. This is a remarkable achievement. However, Mr Liang was modest when it comes to self-assessment. "This is mainly because throughout this years, I remain aware of China's Confucianist studies

and traditional culture, and have spent some time on them." "I am an ordinary person without any special talent....Mentally, I always set some demands on myself and see that I do not waver; I will not allow time to pass without doing something." "I never relax and chose to go on learning, studying, and probing, even in my old age." This spirit of continuous learning is an important part of the special scholarly characteristics of Liang Shuming.

Another more remarkable aspect is that during the course of his academic research and studies on human and social issues, he kept to his independent thoughts, went straight to the heart of each issue, and never made himself agree with others without having a clear understanding. There is no doubt that during the extremely complicated political struggle in China in the past, this inevitably led to misunderstanding and even trouble, as mentioned in the book. Despite all this, Mr Liang Shuming did not change his ways, and continued to face things as they were. This requires a very strong will and unwavering faith in one's objectives (or ideals), especially the persevering spirit of seeking truth.

The spirit of seeking truth means that in studies and research, one must be objective and must not succumb to external interference or pressure. Of course, one must not be stubborn in regard to mistakes. This is similar to the spirit of seeking truth from facts, being serious about one's work, speaking the truth and not lies, doing real work, and not being hypocritical. In this respect, Mr Liang Shuming is a fine example. He often said: "I am serious at all times. I watch and learn seriously. I speak my mind, telling the truth and not lies. I have succeeded in all this, and bear no sense of guilt. I will not change now or in the future." It is only natural that people can obtain ideological enlightenment from these words. In addition, advocating this truth-seeking spirit in real life will help promote China's cause of reform and opening to the outside world in a healthy direction. The aforementioned words are probably where the ideological value in "An Interview With Liang Shuming" lies.

Mr Liang Shuming was a patriot who cared about the destiny of China and its people. In his capacity as a nonparty figure (previously he had joined the democratic parties but later he became a person without party affiliation), he maintained ties with the CPC for a long period of time. He revealed, without reservation, his agreement and disagreement with the CPC's political views, his incorrect understanding, and his mistakes from which he wanted others to learn. From the various viewpoints of Mr Liang Shuming, as discussed in the book, readers will be able to come to a proper conclusion. What this writer wishes to stress is that because of the deviations and errors in our guiding ideology for a long time, we have not treated fairly a true friend of the CPC. Instead of maintaining close unity, we caused him all sorts of unnecessary inconvenience. We must remember and learn from this mistake.

The crux of the matter is still the two attitudes we hold towards people with differing opinions. If everything is based on the principle of class struggle and not the desire for equality and friendship, differing opinions which are clearly not wrong (probably just not soothing to the ears), may be deemed as harboring evil motives and kept at a distance. When some views are incorrect or wrong, the situation gets out of hand and is blown out of proportion, ending in severe criticism and chaotic struggles. The correct attitude towards issues on ideology and ideas should be to seek agreement or pursue patient persuasion.

In this respect, it is worthwhile to note Mr Liang Shuming's heartfelt words on his relations with the CPC. He said: I harbor a deep sense of patriotism, and a sense of responsibility to the motherland which is greater than that towards my family or myself. Sometimes I do not even not exist. For example, before the founding of New China, there was a wide difference of opinion between me and the CPC. This difference was not easy to bridge, although basically they were interlinked. The CPC members have their theories and I have mine. Mine involve my concern for the destiny of our people as well as the future of mankind. I have my own views and ideals. Giving up my ideals means I no longer exist. The CPC is an organization founded on the long-range ideals of men. Many of its members are prepared to sacrifice their lives to achieve these ideals. Although the contents of our ideals differ greatly, they are based on love for China and its people and are therefore interlinked. Sharing this common purpose, I decided to cooperate with CPC members. I have always respected Mao Zedong, Zhou Enlai, and many other friends from the CPC, some of whom I have met while others I have not. As for our differences in opinion, I believe we can always discuss them and try to reach an agreement.

Experience has proven that, owing to various objective restrictions, it was inevitable that the CPC, which is leading the people in the great cause of socialist construction, made these errors. One important way to avoid and reduce errors on major principles and policies is to develop democracy further, and listen to opinions from all sides, including people from democratic parties and without party affiliation. We must also listen to the opinions of cadres and masses inside and outside the party. Not only must we listen to approving views, but we must also listen attentively to opinions that differ or disapprove. Some of these views, although unacceptable at a particular moment, should be accommodated and efforts be made to come to an agreement.

Although "An Interview With Liang Shuming" is in the form of a biography and focuses on several decades of his socio-political activities, it is rich in contents and written in a humorous style. Readers will not become bored. The question and answer format not only vividly narrates events of interest to readers to capture their attention, but also ensures that its contents do not shift too far away from its theme.

Generally speaking, "An Interview With Liang Shuming" is one of the more successful books of its kind that I have read in recent years.

How To Understand and Grasp the Requirements of Communist Party Members in the New Period
*OW1702202489 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 3, 1 Feb 89 pp 43-44*

[Article by Wang Sofan 3769 4790 5364 from the Beijing Municipal CPC Committee Party School]

[Text] The Second General Meeting of the Beijing Municipal Society for Studying Party Building held a discussion centering on the requirements of Communist Party members in the new period.

1. The Issue of the Requirements of Party Members in the New Period is Extremely Important

The requirements of party members in the new period are requirements in recruiting party members, as well as in educating them. A considerable number of party members, including some cadres who are party members, have a vague understanding of this issue. For example, some people have said that the Party Constitution's statement that Communist Party members must serve the people wholeheartedly is out of date and hard to put into practice. Some other people have said that the Party Constitution's statement that Communist Party members must devote his or her lifetime to struggling of the realization of communism is an empty conception, because it is not certain if there will even be a communist society in the future. In short, all these vague understandings maintain that, since China is currently in the initial stage of socialism, the requirements of party members that are stipulated in the Party Constitution are too stringent and unscientific and that the constitution should be revised to reduce the requirements. Many party members are at a loss because of their vague understanding of what is required of Communist Party members.

For this reason, the standards and requirements according to which we educate party members and develop party organizations are very important in the new situation of reform, opening to the outside world, and developing a socialist commodity economy.

2. How Should We View the Requirements of Party Members That Are Stipulated in the Party Constitution?

Two different views were voiced at the discussion on how to view the requirements of party members as stipulated in the Party Constitution of the 12th CPC National Congress.

The first view was that the requirements of party members stipulated in the Party Constitution of the 12th CPC National Congress must be adhered to and must not be

changed, for the following reasons: First, the requirements of party members are decided by the party's nature and its historical tasks. Although many new situations and problems have come up in the course of reform, opening to the outside world, and developing a socialist commodity economy, the party's nature and its historical tasks have remained the same. Therefore, the requirements of party members should not be changed. Second, the requirements of party members are not the same as specific policies in the new period. The party has formulated various specific lines, principles, and policies in various historical periods. All these specific lines, principles, and policies were designed to create favorable conditions for realizing communism. Therefore Communist Party members should, on the one hand, faithfully carry out the lines, principles, and policies formulated by the party in various historical periods and, on the other hand, not forget communist ideals for a moment. They must voluntarily struggle for the interests of the state and people at all times. The requirements of party members must not change with the policies of different historical periods. In particular, they must not be lowered to suit the social trend of seeking material benefits. Third, adhering to the requirements of party members in the new period is of extremely important practical significance: The central authorities must enhance their ability to regulate and control the overall situation in order to establish a new order of the socialist commodity economy under the conditions of reform, opening to the outside world, and developing a socialist commodity economy. Communist Party members in all localities and all departments and units must strictly carry out government orders, faithfully observe announced prohibitions, and keep in line with the Central Committee.

Comrades who held this view analyzed some people's view that the party should absorb all advanced elements emerging from all fronts. These comrades maintained that in the new period we must adhere to the Party Constitution's requirements that party members be vanguard fighters of the working class, who have communist awareness. They held that in absorbing a party member, we must first see if he or she has the qualities to be an advanced element of the working class and if he or she has communist awareness. The key to adhering to what is required of party members lies in insisting on the advanced quality of the working class. Absorbing all advanced elements of all fronts without insisting on this advanced quality of the working class actually lowers the requirements of party members and is bound to affect the quality of party members and the nature of the party.

The other view was that the requirements of party members set by the 12th CPC National Congress should be amended and revised. Some of the requirements of party members stipulated in the Party Constitution of the 12th CPC National Congress conflict with the policies adopted by the 13th CPC National Congress. For example, the 13th CPC National Congress approved

individual personnel seeking reasonable interflow. However, in setting forth party members' obligations, the Party Constitution of the 12th CPC National Congress stipulates that party members must carry out the party's decisions regardless of all setbacks and accept the party's assignments. This stipulation seems to be in conflict with the policy of allowing reasonable personnel interflow. Therefore, some revisions should be made to the requirements of party members, in accordance with the spirit of the 13th CPC National Congress and in order to make the requirements more scientific and practical.

3. On the Question of the Requirements of Party Members Versus the Criterion of Productive Forces

This was a rather big question during the discussion. The following three different viewpoints predominated:

One of the viewpoints stands for the unity of the requirements of party members and the criterion of productive forces. The criterion of productive forces conforms to the great goal of achieving communism. The party's primary task for the new period is to develop social productive forces and work wholeheartedly for the four modernizations. Therefore, it is necessary to require party members to develop social productive forces and establish a concept among them—namely, the concept that the development of productive forces is the most fundamental criterion by which to judge everything. If a party member cannot do anything to promote the development of productive forces, how can he be called a member of the Communist Party? In the course of conducting reforms, opening to the outside world, and developing the socialist commodity economy, some entrepreneurs who are party members have used the money they earned to expand reproduction, thus solving the problem of jobless young people and developing productive forces in society. What they have done should be encouraged. Their acts are permitted by party policy and state law. Socialism should foster such entrepreneurs.

Another viewpoint holds that the requirements of party members should not be simply equated to the criterion of productive forces. The two are different but interrelated. Their difference lies in that they are of two different realms. The so-called criterion of productive forces has to do with whether the development of productive forces can be promoted as a criterion for judging whether or not a relationship of production or a social system is advanced. This is also used as a fundamental criterion for judging a ruling party's current line, principle, and policy. The requirements of party members are standards and guiding principles established by a political group for its members according to the nature and work of that group. The requirements of party members and the criterion of productive forces cover different realms. Hence, we cannot use the criterion of productive forces to replace or negate the requirements of party members. The two are interrelated because the criterion of productive forces is a manifestation of the materialist

historical viewpoint, and the Communist Party is a party that uses this viewpoint for its theoretical guidance. The development of productive forces is the fundamental point of the party's basic line, and upholding the party's basic line is aimed at realizing the party's goal of achieving communism. As can be seen, the unity of the criterion of productive forces and the requirements of party members is based on the party basic line. On the one hand, we should guard against talking abstractly about the requirements of party members in such a manner as to divorce them from the criterion of productive forces and the party basic line. On the other hand, we should not simply regard the criterion of productive forces as the sole yardstick for judging everything and substitute it for the requirements of party members.

The third viewpoint holds that some comrades lack a scientific and comprehensive understanding and knowledge of the criterion of productive forces. They use this criterion for everything and now even link it to the requirements of party members. This is a very bad practice which prevails at present. Productive forces have three basic states, namely, realistic, potential, and possible productive forces. If we see only realistic productive forces or hold the narrow view that making money or fulfilling a local production task equals meeting the criterion of productive forces, we vulgarize that criterion. On the other hand, we should not view the criterion of productive forces in terms of absolutes: Otherwise we would arrive at the conclusion that socialism is not as good as capitalism.

4. Ways and Measures To Uphold the Requirements of Party Members During the New Period

In the discussion, it was believed that the following urgent tasks should be carried out at present: First, good work should be done to educate party members so as to enable them to foster high ideals and improve their quality. The ideological field has been confronted by serious challengers in the recent years' ideological emancipation and the process of reform and opening to the outside world, and there are problems concerning the theory and practice of socialism. This has puzzled and depressed many party members. In these circumstances we should, on the one hand, improve the party members' study of basic Marxist theories to increase their ability to distinguish between right and wrong and, on the other, establish good models for party members and cadres during the new period so as to give a concrete manifestation of the requirements of party members. We hope that theoretical studies and the education in ideals will improve our party members' theoretical knowledge and political quality and uphold the ideal of communism. Second, it is imperative to be strict in admitting new party members. In this work we must strictly adhere to the requirements of party members, rigorously follow the procedure for new members' admission into the party, and stringently carry out the system of inspecting and educating them during the probationary period and the procedure for turning them into full members. That

is, we must do the work at the "entrance" of new party members well. Third, unqualified party members must be dealt with properly. In the past the party's "exit" was too narrow. Only some corrupt elements who violated party discipline and state law were expelled from the party. A relatively large number of party members who do not meet the qualifications and who have long failed to play their due role are still in the party. In his report to the 13th CPC National Congress, Comrade Zhao Ziyang pointed out: "Persuading those people to withdraw from the party and having their names struck from the party rolls is necessary to maintain the party's status as vanguard of the working class." We should carry out the work of properly handling unqualified party members as one of our regular tasks, so as to maintain our party's advanced status and purity.

Also Discussing the Crisis In and the Way Out for 'Pure Literature'

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in Chinese No 3, 1 Feb 89 pp 45-46

[Article by Leng Quanqing 0397 6898 3237]

[Text] In recent years, Chinese literature has stagnated and fewer fine works of relatively great impact have appeared. Readers are losing interest in literature. The voice of dissatisfaction can be heard not only from society at large but also from within literary and artistic circles. Literary circles are being clouded with a sense of crisis.

To be precise, the so-called literary crisis refers mainly to the crisis of "pure literature." "Pure literature" is a term that is usually used to distinguish it from popular literature on the one hand and nonfictional literature based on actual people and actual events on the other. While "pure literature" is gradually losing readership, popular literature and nonfictional literature are attracting more readers.

Let us first take a look at how popular literature and nonfictional literature appeal to the reading public.

Generally, works of popular literature have a uncommon story and a complicated plot. They are easy to understand and are entertaining. Although they may not be much in terms of ideological content, works of popular literature are, generally speaking, permeated with the theme of admonishing people to do good things and punishing evildoers, a humanitarian sympathy for the weak, and the desire to pursue a better life. Although they may not be much in terms of artistic quality, they are, by and large, vividly written and appealing, providing entertainment to readers and helping them kill time. This type of work, which is suited to the level of appreciation of the overwhelming majority of Chinese readers, naturally enjoys a wide readership. Certainly, many works of popular literature are shoddy or even vulgar, but that is another matter.

Nonfictional works are rather realistic and they reflect, in a timely manner, social problems about which people are concerned. Generally, they do not evade contradictions and can help readers understand life. They contain relatively greater amounts of social information and can make people think about some problems. Being realistic and dealing with problems about which people care, they convey a sense of closeness to readers. Although some works are lacking in literary quality—some even have such major shortcomings as factual inaccuracy—people do not discard them but simply wish them to improve.

Now let us return to "pure literature."

Ideological trends in art and literature have emerged in an endless stream during the new period. Of these, two have had relatively greater influence on "pure literature." The first is the literary theory of the Western modernist school. The second is the so-called ideological trend of "finding one's roots." The former has contributed to enriching literature's technique of expression, while the latter has promoted an understanding of national cultures. However, their shortcomings and negative influences are also obvious.

Those who imitate the Western modernist school often ignore the conditions in China and neglect the question of the nationalization of literature. In terms of ideological content, these works, instead of depicting the times and aspirations of the Chinese nation, mechanically copy foreign things and concentrate on depicting absurdness, perplexity, and abnormal psychology. They do not care much about the great undertaking of rejuvenating China. In terms of artistic form, they pay no heed to the Chinese readers' appreciation and rely too much on such techniques as stream of consciousness, shuffling of time and space, symbolism, and metaphor (although if such techniques are used properly, this is another story), and even indulge in such wordplay as deleting all punctuation marks. Reading such works is like working on a riddle. The reader gets little in return for the energy he spends trying to decipher what the author wants to say. For this reason, people naturally want to distance themselves from it.

Although literature aimed at "finding one's roots" flaunts the banner of exploring the national spirit, it has not, by and large, sought the roots of our literature with the needs of the times in mind. Instead, it has concentrated on exploring ancient ideas and primitive folk customs. It devotes too much attention to musing over things of the remote past and goes so far as to explore the uncivilized and bizarre. This type of work, which blindly deemphasizes historical background and instead emphasizes only the abstract and spiritual, makes one feel that he lacks the flavor of the times. Such works, so far away from the pursuit of the times, will naturally disappoint the reading public.

People who are unable to satisfy their need to understand real life through "pure literature" have no choice left but to turn to nonfiction. Those who are unable to satisfy their need for entertainment and recreation from "pure literature" have no choice but to turn to popular literature. Such a change in interest cannot but be attributed to weakening in the educational and recreational functions appropriate for "pure literature."

Changes in readers' interest has happened before. During the second half of the 19th century, artistic literature in Europe was "increasingly mixed with too much drabness and silliness," and was unable to reflect "the interrelationships between the bountiful inner life and the practice of a representative person." As a result, the readers "escaped to popular literature represented by detective stories." In analyzing this phenomenon, Hungarian writer Lukachi [lu ka qi 4151 0595 1148] pointed out: The fundamental reason for this was not because writers at that time lacked talent, but because of the "assorted dogmas in regard to their approach toward writing."¹ There are some similarities between what Lukachi said and today's literature circles. Hasn't the "pure literature" of China been "increasingly mixed with too much drabness and silliness" in the past few years? Isn't the fact that "pure literature" has failed to successfully reflect the look and spirit of our times connected with the "assorted dogmas" of writers?

In my opinion, there are three main causes that weaken the social functions of "pure literature": First, writers hold a lopsided view of the relationship between literature and politics, going to the opposite extreme of the "theory of literature as a tool." They hold that the greater distance literature keeps from real life, the greater its vitality will be. They want to deemphasize, not emphasize, the educational function of literature. Second, they fail to approach the literature of the Western modernist school with the attitude of scientific analysis, mechanically applying it without taking into consideration the national conditions in China, and do not have a thorough understanding of the educational status and aesthetic requirements of Chinese readers. Third, influenced by aesthetic ideological trends, they put undue emphasis on the aesthetic function of literature, and take exception to or even belittle literature's other functions, as if the value of literature will be diminished when the educational function of literature is emphasized.

It should be pointed out that people often read a literary work for more than one purpose. They read for several purposes and requirements. Under different circumstances, they may emphasize one purpose over another, but they all want to gain benefits from literature in many ways. It is certainly good to gain one of the benefits, but isn't it better to gain several benefits simultaneously? The Roman poet Horace put it well: "A poet wishes to provide people with benefits and pleasures. His writing should be entertaining and, at the same time, useful to the people in life."²

To extricate "pure literature" from its predicament, we should give more consideration to the saying of "combining education with entertainment"; strengthen, not weaken, literature's social functions; and integrate the true, the good, and the beautiful in an organic way.

Footnotes

1. Lukachi, "Narratives and Portrayal."
2. Horace, "The Art of Poetry."

Those Who Are Good at 'Calculation' May Not Be Wise

OW1702202489 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 3, 1 Feb 89 pp 46

[Article by Li Keyin 2621 0344 0936]

[Text] The article about people who scheme against others, carried by QIUSHI, has truly hit the nail on the head. After reading it, I cannot help but want to say something about such people.

The distinguishing feature of this kind of person is that he is truly good at "scheming." "Scheming" is his strong point. He not only knows the secrets of how to scheme against others, but is also extremely artful, making good people, especially the naive and gullible, unable to guard against him and to know the truth even after they fall into the scheme. Schemers could come out of nowhere and at any time, brandishing swords and axes. They are by nature good at biding their time and sizing up a situation. They know that if they "miscalculate" opportunities, their efforts not only go down the drain but will also land them in an awkward position; and that, if the time is right, they will be able to make full use of their scheme and do so with the courage comparable to that displayed by the "Black Whirlwind" [the nickname of a legendary hero depicted in the novel *Water Margin* and noted for his great courage and sense of justice]. These people, however, are poles apart from the "Black Whirlwind" as far as personal character is concerned.

Although Yao Wenyuan is nothing more than a clown, he can still serve as a model for my analysis. He had always been trying to seek opportunities for self-advancement. At the beginning, he was not very sophisticated. His calculation was not good enough and his tactics were rather crude. However, step by step he improved. In the summer of 1957, after sizing up the situation, he wrote an essay, entitled "Put on Record," as a preparatory step to settle accounts with people at the right time. His calculation was very good, and he became a favorite. He had tremendous success with his tactics, which, thanks to his frequent use and improvement, later became his invincible "golden ax." Using this "golden ax," he was able to maintain his domination for 20 years. Of course, in comparison with the more experienced, astute, and sophisticated big shots, he was, indeed, only a small sorcerer.

This kind of person knows only too well that, if he wants to advance by scheming against others, he cannot do so single-handedly, but must have "patrons" and "behind-the-scene backers." This requires "calculation," too. Who is stronger? Who is weaker? Who can truly protect him and help him advance? Who is the behind-the-scenes backer? All this requires "calculation." Once he has the correct answers, he will throw himself on the people he chooses with all his heart and will spare no efforts to shamelessly curry favor with them. This is evident from the example of Yao Wenyuan. Yao Wenyuan first threw himself at Zhang Chunqiao and, later, after he became Zhang's crony, he again threw himself, together with Zhang, at Jiang Qing, who was able to offer him greater rewards.

Since we are in the primary stage of socialism, corrupt mentality will not easily disappear, and this kind of person naturally will be with us for a long time to come. While his methods may be different, he is as capable as Yao Wenyuan and the like in biding his time and currying favor. When the time is not right, he will sit back, conserving strength and storing up energy. While sitting back, he is actually biding his time and, as soon as that time arrives, will come forward, brandishing the sword and axe. At the same time, he will cringe and smile obsequiously to win people's approval. We have been able to get a glimpse of his image from television. This person is not always successful, despite his skill. Sometimes he gets what he wants and is pleased with himself. At other times, he meets with a rebuff and is forced to retreat and wait for better opportunities.

As Yao Wenyuan and the like had quoted with great relish, "when the scheme goes too far, your own life will be endangered." When a person becomes too clever, he may do stupid things; when a person goes all the way to scheme against others, he may fall prey to his own scheme. The foolishness of these people lies in three areas. First, they underestimate the strength of the masses, lack adequate understanding of popular feelings, and fail to realize that their debts will be settled sooner or later. Second, they are keen on secretly making false charges against others. They will not look good once their clandestine acts are made public. Third, their words are lies, which have no life of their own. However, they continue to say them through force of habit. A person's behavior is difficult to change once it becomes a habit.

We must not underestimate the presence of these people and their power. No one can guarantee that today we do not have people who are sharpening their swords and biding their time in the dark. When they calculate that their time has come, they will come out, brandishing their swords and axes and working in concert with their allies. Their action may inevitably lead to large or small "bloody incidents," making the people feel ill at ease and disrupting the excellent situation of stability and unity. Therefore, we must not lower our guard. The fundamental way to prevent this from happening is to practice democracy inside and outside the party, as is advocated

in the previously mentioned QIUSHI article. Only in this way can we create an environment where things are conducted aboveboard, where there is strong openness, and where the "schemers" are eliminated; only in this way can we guarantee that the historical tragedy will not repeat itself.

I Have Been a Proxy Drinking Partner

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in Chinese No 3, 1 Feb 89 pp 47-48*

[Article by Sun Dayou of the Langfang Normal School in Hebei Province]

[Text] Ai Qing once wrote a poem about liquor: "It is the spirit of happiness. It is wherever there is a joyous occasion. It can set you free. It takes the truth out of your mouth. And it brings out your heart." To the general public, this may be the case. However, as far as I am concerned, drinking has been a lowly job, a painful experience. Liquor has not brought out the truth in me; instead, it has concealed my true feelings.

After graduating from college in 1968, I was sent to work at a mining community tucked away in Changbai Shan. Owing to my humble birth, people found me an easy target for blame. I once ventured some opinions to the secretary of the party branch of a local school there, which brought on me 6 solid months of criticism by the secretary who accused me of trying to seize power from the party branch. I knew I was wronged but could do nothing about it. Therefore, I let myself go and started to keep company with miners, drinking and playing mahjong together. People in the mining community, no matter what their position, liked to drink. Even the henpecked husband would be presented with a bottle of spirits by his wife upon returning home from work. It seemed very proper for men to drink. Therefore, whoever could drink was regarded as a real man, a hero! Owing to some unknown biological reason, apart from getting a little excited, I never got drunk no matter how much I drank. Pretty soon, the stinking intellectual that I was in the local middle school became a notable in the community and was worshipped no less than stars of today. People became very friendly and often asked me to drink with them so that they could watch how good I was at drinking. They thought it was very entertaining. Once, a party secretary invited me to drink. It so happened that the party secretary of the mine was also present and was greatly impressed with me. He said that intellectuals like me who could get along so well with the working masses were real revolutionary intellectuals. I laughed quietly to myself that such revolution was really easy and pleasant. Not only could I drink, but I could also talk. Majoring in Chinese with 17 years of education under my belt, plus years of being "re-educated" by the working class and widely absorbing miners' language, decent or indecent, I could go on drinking and talking and spellbinding my company all at the same time and feeling very good about myself. Giving joy to the people induced me and stimulated my improvised creativity.

It was all unexpected when the office of the mine party committee called the school and transferred me to its propaganda section. I was not drunk then, but I was confused. Since I was not even a CYL member, how could I work for the party committee? As soon as I got there, the party committee secretary asked me to report to his office. Apart from asking some general questions, he told me that the leaders of the mine were too old to match the young bastards [wang ba dan] in drinking and asked me to be their drinking partner.

Thus, I became a drinking partner at frequent dinner parties. I was especially busy during festivals and attended parties given by various organizations having business ties with the mine, the forestry bureau in the morning, the township government in the afternoon, the prospecting teams and PLA units the next day, and so on. My task for "May 1" was the simplest—drinking for 1 week. During Spring Festival holidays, I would spend a whole month drinking. At all the dinner parties, I would sit next to the party committee secretary, drink on his behalf, and tell tasteful, vulgar, or even profane jokes according to the occasion to help entertain the guests and please the leaders. The party committee secretary loved to drink but could not drink much. Even at home, he drank during all meals. As the saying goes, "The general is the key to troop morale, and the troops are the key to the general's courage." With me at his side, the party secretary always displayed a commanding general's manner and dared to challenge others on all occasions. It was because I could drink for him. Later, the secret was discovered, and he was penalized, but he was so proud and was as cheerful as a child. He bragged to drinking friends: "This is my first-class drinking partner, and he is of national standards." He also flaunted my ability, making all the leading cadres show their admiration for me. A bureau director once grabbed me by my arm and said: "Get a transfer. Get a transfer to my bureau, and I will give you a good post." The party secretary immediately told to him: "No, you cannot steal our man."

My presence enabled the party secretary to win the reputation of a heavy drinker. My telling jokes also made him proud. That year, I was awarded an advanced worker's certificate for the first time. After I returned to my quarters, I stared at the certificate with a very sad feeling. My colleagues at the local school thought I should be happy about my promotion, but my life was agonizing. I felt that all my dignity, pursuits, ideals, and aspirations were being mercilessly destroyed by the times. On that day, drinking made me sick for the first time, and I secretly burned and destroyed the certificate before going to bed. The burning yielded a stinking odor.

I worked as a drinking partner for 5 years before I was transferred back to Hebei in 1978; I worked for a county culture and education bureau. A new time and a new place—I was happy and energetic and wanted to work conscientiously. Unfortunately, my drinking and joking abilities were discovered by my bureau director. He too was a drinker and loved to show off at the drinking table.

I became a drinking partner again. Whenever a provincial or prefectural leader visited, or whenever the bureau director went to inspect lower level units, I would be there because drinking was a must on such occasions. When the bureau director told others about my drinking ability, it was as if he were exhibiting a new treasure. He always challenged others on my behalf and arranged drinking contests and would not stop until the opponents were drunk. He was happy to see others drunk. My schoolmates would ask me: "What is your position in the bureau?" I would reply: "A full-time drinking partner." The reply was self-mockery and an expression of discontent, but it was also reality and a sense of helplessness.

At last, I was given another chance and was transferred to teach at a normal school. Here, I have found my own position. Since I graduated from college 14 years ago, I have finally found a job whose name matches reality. Here, what I see every day are no longer wine glasses but the vigorous activities of young students. I no longer have to rack my brains to tell stupid jokes at the drinking table. In my spare time, I can write about my experiences in life and about my literary thinking and studies. Whenever I hold in my hands a book or newspaper that sheds the fragrance of ink, I am immersed in boundless happiness. I have seen my dignity and realized my values.

Oh, You Wonderful Jinshi Beach

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in Chinese No 3, 1 Feb 89 pp 48

[Article by Guan Tian 3900 3944]

[Text] I have been back in Beijing for days, but the scenes of that mystical and beautiful beach still linger in my mind. The crowds and boisterousness of the city have instead made me relish even more the jewel of Jinshi Beach. Its beauty, tranquility, oddity, and novelty are all unique and unparalleled.

The beauty of Jinshi Beach lies in its odd rocks.

Jinshi Beach abounds in odd rocks, which fall into three categories: One is the wide variety of odd rocks lining the beach, resembling familiar animals. A piece of rock looks different if viewed from different angles, leaving us absorbed and amused. Some people may disdain arbitrarily assigning roles to natural rocks, associating them with certain characters or animals. Actually, the exquisite beast-like sculptures on Jinshi Beach, be they "a camel lying in the sea" or "a divine rabbit lecturing its offspring," are really true to life. People will have an aesthetic reflection when they come to associate these rocks with certain characters or animals, and relish them in boundless fantasies. Is this not a process of "projecting man's intrinsic strength into an object"? The rock called "a big bird stretching its wings," for instance, reminds me of the verse in "Xiao Yao You" written by

Zhuang Zi, who might have conjured up from this stone bird a roc that "stretches its wings 3,000 li across land and water, rising steeply into the sky for 90,000 li."

The second oddity is the tremendous value of the rocks on this beach to the study of earth science. The stratum here was formed in the Sinian Period, some 600-700 million years ago. Biological fossils abound along the beach of more than 20 km. Fossils of seed weeds are everywhere, forming a red-colored "rose garden." There are also many trilobite fossils. The most precious is a large, cracked rock. I learned that this rock, formed during the Sinian Period, is rare in the world. After seeing the rock, Mr (Craward), a United States geologist, said it was the largest of its kind in the world at present. It is not an overstatement to call Jinshi Beach a natural museum of earth science.

The third oddity of the rocks is the inexhaustible "treasure" found among the pebbles on the beach. I call them pebbles, but actually these rocks are of different shapes as a result of constant scouring by seawater. Due to the strange formation of the stratum here, the streaks on the rocks are very interesting. With patience, you can find beautiful pebbles. Some of them look like landscape paintings, while others look like small animals. They are really lovely to have. Cartoonist Fang Cheng drew his own portrait here and wrote an inscription: "Strolling on the beach, how can we not bow our heads?" He was describing the joy of picking up pebbles. Sculptor Fu Tianchou's obsession with pebbles is even more striking. While loading his bags with pebbles, he was heard to murmur: I can do without clothing and other belongings, but not without these pebbles. Catching the elderly Fu's habit, I also came to the beach to patiently look for treasures, and eventually found quite a few pebbles like "young phoenix," "giant panda," and others. With great excitement, I brought them to the elderly Fu, and he loved them so much that he would not part with them. I felt good being able to share the joy with a friend.

The beauty of Jinshi Beach also lies in its peculiar water.

The gulf here is usually calm and deep blue, like a piece of blue satin unfolded to the human world by the weaving girl from heaven.

On the night before leaving Jinshi Beach, I finished my work, and it was already midnight. I thought, as this unusual beach trip was coming to an end, maybe I should take a swim lest I miss it too much after I leave. Xu Duo, a young writer who was with me, and several reporters from Dalian agreed to join me. So, five of us headed for the beach, humming the song "Yellow Soil and High Slope." It had just rained, and was pitch dark all around without the slightest moonlight. The sea was also all dark and silent. There were occasional flashes from the flashlights of fishermen looking for crabs. Five of us plunged into the water, yelling "wonderful" as we swam. I swam breaststroke to the open sea. Then something marvelous happened. In this darkness, the bubbles I blew became strings of clean, silver pearls, and the water brushed aside in front of me was also covered with a silver lining. Every sweep of my arms was followed by heaps of silver. It was really fantastic. Swimming beside me, Xiao Xu said that we could see a more magnificent phosphorescent light from the sea surface of the nearby Damayi Dao. So we boarded a fishing boat to take a little rest. We leaned overboard to look into the water. All we saw was blinking and flickering sparks under the water. It had such quiet and entrancing beauty.

After returning from the swim, we felt refreshed and relaxed. The feeling of exhaustion was gone. Hearing the playful yelling of young friends when they mistakenly got into one another's clothes, and singing the song "Not A Penny to My Name," I felt young again. On my way back, I was still pondering this feeling of ecstasy. Although still far from Zhuang Zi's feeling in his "Xiao Yao You," it was a rather relaxing experience such as we ordinary mortals can relish in our spare time.